



Audit Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,
Ashford, Kent TN23 1PL on Tuesday, 30th June 2015 at 7.00 pm.

The Members of this Committee are:-

Cllr. Link (Chairman)

Cllr. Waters (Vice-Chairman)

Cllrs. Buchanan, Chilton, Powell, Shorter, Smith, White

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)

Agenda

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Nos.

1. **Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)
2. **Declarations of Interest:-** To declare any interests which fall under the following categories, as explained on the attached document: 1
 - a) Disclosable Pecuniary Interests (DPI)
 - b) Other Significant Interests (OSI)
 - c) Voluntary Announcements of Other Interests

See Agenda Item 2 for further details

3. **Minutes** – To approve the Minutes of the Meeting of this Committee held on the 3rd March 2015 (attached)

Part I – For Decision

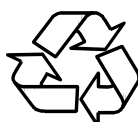
4. Fraud Annual Report 2014/15
5. Internal Audit Annual Report 2014/15
6. Annual Report of the Audit Committee 2014/15
7. Approval of Annual Governance Statement 2014/15
8. 2014/15 Financial Statements – Letters of Assurance to external Auditors

Part II – Monitoring/Information Items

9. Outcome of Independent Audit Review of the Council's Affordable Housing Programme
 10. The Future of Local Public Audit (to follow)
 11. External Audit 2015 Plan and Audit Update
 12. External Audit Programmed Work and Fees 2015/16
 13. Report Tracker and Future Meetings
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DS/VS
22nd June 2015

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Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Head of Legal and Democratic Services and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **3rd March 2015**.

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);
Cllrs. Buchanan, Davey, Shorter, Sims, Smith.

In accordance with Procedure Rule 1.2(iii) Councillor Davey attended as a Substitute Member for Councillor Michael.

Apologies:

Cllrs. Britcher, Michael.

Also Present:

Cllr. Galpin

Deputy Chief Executive, Head of Audit Partnership, Head of Finance, Audit Partnership Manager, Policy & Performance Manager, Principal Accountant, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton.

370 Declarations of Interest

Councillor	Interest	Minute No.
Shorter	Made a Voluntary Announcement as a Director of Kent Play Clubs	372
	and made a Voluntary Announcement as a Director of the ABC Building Consultancy Company.	372, 373

371 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 2nd December 2014 be approved and confirmed as a correct record.

372 Presentation of Financial Statements

The report advised that the Council was required to follow statutory guidance for the publication of its accounts and each year that guidance was reviewed and updated. The report looked at the impact of those updates on the Council's accounts for 2014/15. In addition the report reflected on the lessons learnt from the accounts process in 2013/14. It also advised that the Council had completed a review of its accounting policies that would be used for the publication of the statement of accounts. The Principal Accountant advised that it had been a year of consolidation and they would continue to examine ways to 'de-clutter' the accounts. She also advised that the current closing deadline of 30th June would move to 31st May for the 2017/18 Statement of Accounts, but Officers were intending to move to that date straight away to ensure it was achievable.

Members asked about Group Accounts and how the requirement for Local Authorities to include their interests in subsidiaries, associated companies and joint ventures affected the Council's financial statements in terms of the ABC Building Consultancy and Property Companies. There was concern that the detail of these would not be sufficient for proper public scrutiny. A Member advised that the Companies were bound to hold an AGM and publish an Annual Report and this would ensure full transparency. The Head of Finance suggested that the accounts could have their own dedicated link or page on the ABC website to allow public access, but the nature of group accounts meant that they may not include all of the information Members may be looking for. There would be a note in the main accounts with an opportunity to explain the link between the Council and the ABC Companies so there was some scope for further explanation. The Chairman said he considered the Company accounts should come to this Committee in some shape or form and he would be interested in Grant Thornton's future view on this. He considered this should be explored further at the next meeting of the Committee.

The Chairman asked about depreciation of assets in terms of computer equipment. The Principal Accountant advised that most computer equipment was classed as an intangible asset and written off in three to five years.

Resolved:

- That**
- (i) the report be received and noted.**
 - (ii) the accounting policies for the 2014/15 accounts in Appendix A to the report be approved.**

373 Strategic Risk Management

Further to discussions at previous meetings the Head of Audit Partnership gave an update on the progress towards creating a revised risk management strategy for the Council. Productive workshops had been held and an Officer Group would be meeting in due course.

In response to questions about whether the Council's risk management was too 'high level', the Head of Audit Partnership advised that by its very nature a Strategic Risk Register would be high level and try to consolidate risks together under particular headings. General risk management at the Council was obviously more 'low level' though and getting those arrangements right across the Authority was very much the purpose of the current discussions.

The Chairman asked whether the ABC Building Consultancy and Property Companies were going to be included in the Strategic Risk Register as he did have concerns over reputational risk. The Deputy Chief Executive said that this was subject to future discussions. In line with the discussion on Companies with regard to the Statement of Accounts, he advised that the governance arrangements stipulated by Members when the Companies had been set up were thorough and he encouraged all involved to examine the adequacy of the governance and process that was in place before suggesting any changes to controls. The Chairman considered that this point could be covered along with the report back on the Companies' accounting arrangements at the next meeting of the Committee.

Resolved:

That the report be received and noted.

374 Internal Audit Operational Plan 2015/16

The report detailed the methodology and result of Internal Audit's risk assessment in drawing together an operational plan for 2015/16 and an in principle plan for the following three years to 2018/19. It included details of audit projects proposed and included an assessment of the resources held and required by the Internal Audit service to deliver the required annual opinion on the Council's internal control, corporate governance and risk management. The Head of Audit Partnership advised that it was expected that the plan would cover all of the Council's operations over the four years in the appropriate way. He explained that in response to the Institute of Internal Auditors' External Quality Assessment last year, there was now more detail in the plan about how it reflected risk and how decisions on which areas to review had been taken.

In response to questions about safeguarding, the Head of Audit Partnership advised that this referred to the Council's responsibilities for children and vulnerable adults. Although the Council did not have a Social Services function, this was something that needed to be applied corporately across all services and linking in with recent news stories, it was important for the Council to be aware of its responsibilities. The Policy & Performance Manager advised that an Officer Group with representation from across the Council had been set up to examine this issue and the Senior Member Services Officer reported that training on safeguarding would be arranged for the new Council Members after May 2015.

Resolved:

That (i) the Operational Plan for 2015/16 be approved.

- (ii) **the longer term plan up to 2018/19 be approved in principle, but it be noted that this will be subject to annual review and refresh.**

Recommended:

That the Section 151 Officer be delegated responsibility for managing operationally the content of the Audit Plan in conjunction with the Head of Audit Partnership and subject to regular review by the Audit Committee.

375 Annual Governance Statement – Progress on Remediating Exceptions

The report updated on the progress made towards the areas of review highlighted by the 2013/14 Annual Governance Statement.

Members referred to the proposals for a clearer definition of Members' responsibilities and requested that the induction training for the new Council post May 2015 did cover recent changes in legislation and Members' duties in terms of safeguarding and making the correct declarations.

With regard to the Community Governance Review that had been agreed to be undertaken, the Deputy Chief Executive advised that this would undoubtedly be covered in this year's Annual Governance Statement.

Resolved:

That the progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in the report be noted.

376 Audit Charter 2015/16 – Update

The report explained that under Public Sector Internal Audit Standards, the Audit Service must compile and agree a Charter setting out the aims, scope, responsibilities and relationships within which the Service was to be run effectively. This Charter must be reviewed each year. The Head of Audit Partnership advised that the Charter had been reviewed from that originally presented in September 2014 to take into account recommendations made in the External Quality Review of the Service in early 2015, as well as to more closely align its content generally with the requirements of the standards. He also drew attention to the section of the Charter explaining how the Service would deal with requests for additional work.

A Member said he was pleased to see references to the Service having the ability to offer advice and guidance rather than purely carrying out audits.

Resolved:

That the 2015/16 Audit Charter be approved.

377 External Audit Reports – Certification Report 2013/14 and Audit Committee Update

Two reports had been received from the Council's External Auditors (Grant Thornton). These were introduced by Lisa Robertson, Senior Manager and Emily Hill, Engagement Lead from Grant Thornton. The first was the outcome of the auditor's work on certifying the 2013/14 £37m housing benefit grant claim and the 2013/14 £2.3m housing capital receipt pooling return. The second report was a further update of topical matters of interest affecting the Council, including comments about their planned audit work and a note that a more detailed plan of their audit work would be presented to the next meeting of the Committee.

With regard to the certification report Lisa Robertson advised that it was a pleasing report with only minor amendments required for the housing benefit grant claim, although these had no impact on the level of subsidy claimed. Within the parameters established by the DWP these had to be reported, but it was important to recognise the minor nature of these errors. No amendments were made to the housing capital receipts return.

In response to questions about potential fraud through IT systems, Emily Hill advised that they did examine IT controls and ran all financial transactions through an IT programme to look for unusual transactions or rounding patterns.

The Deputy Chief Executive referred to the future and advised that there would be more advice on the national and topical matters raised in the report to both the Cabinet and this Committee after the May Elections as the course of central government policy was set.

Resolved:

That the two External Audit reports be received and noted and in the new Municipal Year further reports on the national topics referred to in the update report be presented to the Committee.

378 Report Tracker and Future Meetings

The Deputy Chief Executive advised that in line with previous years, the intention was to hold an initial Audit Committee induction session prior to the first meeting of the new Municipal Year on the 30th June 2015.

Resolved:

That the report be received and noted.

DS

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Agenda Item No: 4
Report To: Audit Committee
Date: 30th June 2015



Report Title: **Corporate Enforcement Support and Investigations Team Annual Report 2014/15**

Report Author: Hannah Davies, Corporate Enforcement Support and Investigations Manager

Summary:

This report provides an update on the work of the Corporate Enforcement Support and Investigations Team. Through changes to Welfare Reform some of the team's work will transfer to the Government Single Fraud and Investigation Service (SFIS) but the Council has committed to maintaining its counter fraud resources and to develop the team into a wider corporate enforcement and investigation resource, expanding its remit into all areas of council activity.

Over the course of the year the team's activity has identified fraudulent activity of over half a million pounds. Action varied from solely correcting a benefit claim or account through to prosecution action through to taking possession action to recover social housing.

The team itself has seen changes in personnel. Fraud awareness training was conducted over the year further reiterating the prevention message and the anti-fraud culture for the Council as a whole.

The team has successfully bid for funding from KCC as part of an initiative to optimise the benefit from the county wide data matching exercise that is underway.

Key Decision: NO

Affected Wards: All – None specifically

Recommendations: **The Audit Committee be asked to note the report**

Policy Overview: The primary function of the Corporate Enforcement Support and Investigations Team is to provide the authority with a Counter Fraud resource through proactive and reactive work and awareness training. Its secondary function is to assist with a corporate approach to enforcement through supporting departmental enforcement teams by providing an investigative skillset and / or through case management / review. For example, providing departments with an

**Financial
Implications:**

investigative capability where needed or providing technical advice regarding investigations / enforcement.

In 2014-15, through investigations, the team identified a figure of over half a million pounds (£575,640) of fraudulent activity or incorrectly awarded benefit due to customers failing to provide the correct information.

Risk Assessment

NO

**Equalities Impact
Assessment**

NO

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hannah.davies@ashford.gov.uk

Report Title: Corporate Enforcement Support and Investigations Team Annual Report 2014/15

Purpose of the Report

1. This report gives details of the work of the Corporate Enforcement Support and Investigations Team over the Financial Year 2014/15

Issue to be Decided

2. The Committee is asked to note the progress of the Team.

Background

3. The development of the Corporate Enforcement Support and Investigations Team began in order to mitigate some of the effect that the DWP's introduction of the Single Fraud Investigation Service¹ would have upon the Authority's ability to provide a fraud resource and protect the Ashford taxpayer's money. This was first reported to this committee in March 2013 with an update reported in September 2013. Over the past two years the team has developed in order to provide a resource that will seek to enhance the corporate stance for compliance and enforcement whilst robustly investigate fraud against the taxpayer and Ashford Borough Council.
4. The team work with the Audit Commission (as was) definition of fraud being "an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken, including, but not limited to, disciplinary action, civil action or criminal prosecution".
5. Since April 2014, the team has comprised of a manager, one full time investigator and a part time clerical support officer. However, in April 2015, the clerical support officer resigned leaving the post vacant. Recruitment is currently underway for a new Investigations Assistant role together with a further Investigator. The total cost of the team to the Council is £106,000.
6. The team has continued with the housing benefit fraud work it has historically conducted and with results still being achieved from this area, the team has still exceeded targets with regards to dealing with fraud and error indicating the enthusiasm and motivation of the team.
7. The team has built on the results achieved in the area of tenancy fraud. There has been success investigating Right to Buy applications. Fraud awareness training has been conducted with the whole of the Housing Team's front line officers and has already resulted in a number of referrals from staff who previously had not referred any suspicions. Advice has been given with regards to prevention for example assisting with redesigning forms to include fraud statements and requesting additional information in order to verify people's qualification for a Right To Buy discount.
8. Training has been conducted with civil enforcement officers and other enforcement officers from the Health, Parking and Community Safety

¹ The Housing Benefit Case Load will transfer to SFIS in December 2015

Department with regard to recording of evidence and statements with a view to supporting generic enforcement.

9. In December 2014 it was announced that the authority had not been successful in its solo bid for funding from CLG. However, two bids that were supported by this authority with Kent County Council (KCC) and with London Borough (LB) of Bromley were successful.
10. The KCC bid relates to a Kent data warehouse – Kent Intelligence Network (KIN) – which will act as a data matching facility for districts and county to feed into and subsequently receive data matches. KCC are intending for data matches to be available from September 2015. It is important the team is adequately resourced to be able to act upon the intelligence generated by this activity.
11. The bid with LB Bromley relates to an “app” for smart technology where success stories and information can be published and through which members of the public will be able to refer fraud. It will have links to our facebook and twitter pages and will be in addition to the pages currently on the Ashford Borough Council website.

Scope of Investigations 2014/15

12. For the financial year 2014/15, 424 referrals were received from both internal and external sources. Of the referrals received, 170 were accepted for investigation.
13. Where a referral is rejected, further action may be taken on the information which may include referring the information to another department / agency, conducting compliance action or requesting further checks be conducted in any future contact. No further action will only be deemed appropriate if it is believed there is no risk to the Authority, for example, the information is already known to the Authority.
14. Successful outcomes are measured in a number of ways, for example
 - Guilty convictions
 - Cautions
 - Fines – through administration penalties for benefit fraud, civil financial penalty for council tax support or fines under the Local Government Finance Act for Council Tax fraud.
 - Value of overpayment of benefit resulting from investigation and recovery of such
 - Recovery of Council properties
 - Housing applications declined
 - Revenues discount stopped and / or cancelled back
 - Value of any future benefit or discount that has been stopped due to investigation
15. There were 16 prosecutions and 3 cautions in 2014/15. These were mainly in relation to Social Security offences but in the majority of the cases there would have been an effect on either the social housing and / or council tax account.

16. A savings figure, being the difference between the incorrect award and correct award as identified following an investigation for Housing Benefit, Council Tax Benefit and / or Council tax support, of £136,617 was calculated for 2014/15.
17. There is a strong emphasis within the team that prevention is better than cure. Where this makes measuring any "success" difficult it is nonetheless a very important part of the team's work. By working with the homeless team within housing, applications can be reviewed and turned down if it is found incorrect information has been supplied which ensures a social housing property is not provided and potentially saves costs later when seeking to recover the property through possession hearings.
18. Obviously where a fraudster is determined, deterrents should be in place by way of seeking prosecution, recovering costs and publicising where appropriate.
19. The team seek to publicise cases where possible. Consideration has to be given to such legislation as the Data Protection Act during investigations. This consequently means much of the information gathered remains confidential until such time as a matter reaches the public domain. This will normally only be if a case is deemed suitable for court action.

Investigations

20. In 2014-15, through investigations, the team identified a figure of over half a million pounds of fraudulent activity or incorrectly awarded benefit due to customers failing to provide the correct information. Action varied from solely correcting a benefit claim or account through to prosecution action through to taking possession action to recover social housing.

Housing Benefit overpayments	£249,041
Council Tax overpayments	£ 30,332
Future welfare savings ²	£136,617
Social housing properties recovered ³	£ 90,000
Right To Buy discount stopped	£ 69,650
Total	£575,640

Benefit Fraud

21. Investigations into benefit fraud will continue until December 2015 taking into consideration the transfer to SFIS.
22. Negotiations with local DWP coordinators regarding SFIS will begin from June 2015 regarding the transfer of housing benefit investigative workload as appropriate.
23. Whilst the investigation of housing benefit fraud transfers to the DWP SFIS team as from 1 December 2015, the administration and responsibility for housing benefit remains with the local authority whilst Universal Credit is phased in. It is likely that the team will therefore still have an input into ensuring error is dealt with accordingly through such investigations involving council tax reduction for example.

² future savings are determined using a formula of multiplying the incorrect weekly welfare benefit award by 32. A figure attributed that had the investigation not intervened, further overpayment would have been incurred.

³ Audit Commission (as was) attribute £18,000 per property recovered. Five properties were recovered in 2014-15.

24. Some work with regards to benefit fraud investigations that SFIS deal with is still likely to remain with the team as information will still be needed to be collated and coordinated and liaison with SFIS officers.
25. The team has a continued good working relationship with the Department for Work and Pensions (DWP) when investigating benefit fraud. This joint working has ensured that when investigating benefit fraud the totality of the fraud is considered. This relationship is believed will continue during the transfer and establishment of SFIS within the Ashford area.
26. The total value of housing benefit overpayments for 2014/15 was £249,041.

Council Tax Fraud

27. Referrals received will be assessed and investigated as appropriate. Similar issues affect council tax support as affect housing benefit and therefore the emphasis for the same types of referral as are currently publicised will not alter.
28. Some publicity regarding other discount fraud such as where single person discount (SPD) fraud is committed is anticipated in order to drive up referrals. 4-6 % of single person discounts are estimated to be fraudulent which all equates to lost revenue for the council and preceptors.
29. The value of Council Tax overpayments / excess reductions for 2014/15 was £30,332. This includes the value in the excess reduction of Council Tax Support and legacy overpayments from Council Tax Benefit. Together with any value of Council Tax discount which has been cancelled.
30. A request for funding has been made to preceptors in order to assist with investigating Council Tax Fraud in order to maximise council tax base. A grant of £120,000 over three years has been provisionally agreed and a protocol signed in order to prevent and investigate Council Tax Fraud. A new position of an Investigations Assistant together with a further Investigations Officer are to be recruited utilising this funding.

Business Rate Fraud

31. With local authorities retaining a proportion of the business rate growth in their area the need to ensure reliefs are allocated correctly is paramount. Whilst the Collection Fund Team gives a high level of assurance that such reliefs are correct, there will still be a need to conduct more in depth investigations as the gain for companies to evade / avoid their liability is high. Although only one investigation can be referred to over the past couple of years. This resulted in a payment of £15,000 unpaid business rates being received by the authority.

Tenancy Fraud

32. This area of investigation has continued to prove results over the past year. It is estimated by the Audit Commission that councils lose over £800 million a year, with 2% of tenancies outside of London being fraudulent in some way. Past investigations have ensured properties have been recovered, housing applications have been refused and Right To Buy applications have been turned down. All ensuring that properties are retained and reallocated to families in genuine need. One investigation which included a Right To Buy application stopped a discount of nearly £70,000 which would have been applied incorrectly and ultimately led to the property being recovered for a genuine family to be housed.

33. With regard to Tenancy Fraud, it is accepted that the figure of £18,000 as determined by the Audit Commission, is attributed as the value of a Social Housing property that is recovered. £18,000 is the estimated cost of keeping a family in temporary accommodation per year.
34. Five social housing properties were recovered in 2014/15 as a result of investigations by the team.

Other areas

35. The team has also assisted with investigations relating to environmental such as fly tipping, internal and licensing matters.

Fraud Awareness

36. Fraud awareness training has been a regular feature for revenues, benefits, customer service and housing staff over the past years. In December 2014 fraud awareness for housing staff included all staff who came into contact with tenants and properties highlighting the need to refer any suspicions. The training included case studies to assist with practical learning and provide examples of where fraud has been committed.
37. It is believed training for revenues staff including those that administer business rates on the authority's behalf together with housing and customer services should receive training on a regular basis.
38. Consideration will also be given to all staff receiving awareness training at induction to include their duties as officers to protect the public purse and whistleblowing policy.
39. Training is proven to increase referrals by promoting awareness. Following the launch of the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre and the new Code of Practice, emphasis is placed on not only the financial implications of not having a counter fraud facility in place but also on the moral and reputational implications of not protecting public finances.
40. In March 2015, a joint briefing was provided by the Head of Audit and the Corporate Enforcement Support and Investigations Manager to members. This covered an overview of the new Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Conduct in relation to fraud and how Ashford Borough Council was adhering to it.

Case Management/ review

41. Training has already been conducted with civil enforcement officers with regard to evidence gathering and statements with a view to the future of generic enforcement. With generic enforcement due to start this year, the team are looking to provide an investigative skillset and management / review facility to ensure when necessary prosecutions are considered through evidence review, disclosure and liaison with solicitors, as appropriate.
42. Additionally further training through KCC is currently being conducted with regard to front line officers and evidence gathering in respect of fly tipping and how the team can support these investigations when referred through by the front line officers.
43. The team has previously advised other departments on technical issues such as interviews.

44. Liaison with legal services will ensure consistency in prosecutions following the recruitment of a litigator to the legal team.
45. Ensuring a corporate approach to enforcement action will give the public assurance that people are treated the same. The approach will be transparent and impartial.

Data Matching

46. In September 2015, data matching is expected to begin through the Kent Intelligence Network (KIN), administered by KCC. KCC are currently developing this fraud hub for Kent which will enable data matching from data from Kent local authorities and KCC to ensure internal and cross border fraud can be dealt with.
47. The KIN is anticipated to increase referrals and this increase in workload will be supported by the grant from preceptors as previously mentioned.
48. National Fraud Initiative (NFI) – this is a bi annual exercise that was run by the Audit Commission but has now transferred to the Cabinet Office. It is mandatory for all local authorities to participate in. It matches electronic data within and between audited bodies to prevent and detect fraud.

Retention of Records

49. Investigation records are retained and destroyed in line with the Criminal Procedures Investigatory Act 1996 (CPIA). Records are retained for a minimum of 18 months for audit purposes.

Regulation of Investigatory Powers Act (RIPA)

50. Surveillance is considered in cases where the loss to the public purse makes it financially viable and where all other options have been covered or deemed not possible. Surveillance is essential in many cases where the fraudster is determined in their pursuit of criminality and theft from the taxpayer. RIPA ensures that the surveillance is conducted in line with the Human Rights Act Article 8 – right to privacy. In addition since October 2013, the Protection of Freedoms Act 2012 means that any application to conduct surveillance under RIPA by a local authority is reviewed and authorised by a magistrate. The Office of the Surveillance Commissioner reviews RIPA applications made by this local authority.

The Future

51. As noted a new position of an Investigations Assistant together with a further Investigations Officer are hoped to be recruited in order to assist with the perceived increase in work load despite the loss of housing benefit investigations.
52. The team will continue to build on successes to prevent and detect fraud against the Authority and the taxpayer.
53. As a corporate resource the team can deal with matters as they arise. With a corporate focus on compliance and enforcement the team fits well within that process. The investigation skillset would, where needed, be available to ensure a consistent approach as Ashford Borough Council. An emphasis on looking at where information and intelligence crosses departments and the full picture of the impact of any fraud against the borough or compliance action needed.

54. Publicity both internally and externally will be considered particularly through internal publications, the new app and publicising results.

Contact: Hannah Davies, Corporate Enforcement Support and Investigations Manager

Email: hannah.davies@ashford.gov.uk

Agenda Item No: 5
Report To: AUDIT COMMITTEE
Date: 30 JUNE 2015
Report Title: INTERNAL AUDIT ANNUAL REPORT 2014/15
Report Author: Rich Clarke



Summary:	The report presents the 2014/15 Head of Audit Opinion and supporting work behind that opinion. The report also provides a more wide-ranging update on the audit service.
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Key Decision: No

Affected Wards: All

Recommendations: **1. The Audit Committee notes the Head of Audit opinion and supporting work and that the opinion will inform the Council's Annual Governance Statement.**

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Implications: Not Applicable

Exemptions :

Background Papers: Internal Audit Annual Report 2014/15

Contacts: rich.clarke@midkent.gov.uk – Tel: (01233) 330442

Report Title: Internal Audit Annual Report 2014/15

Purpose of the Report

1. To give the Annual Head of Audit Opinion as required by Public Sector Internal Audit Standards (the Standards) and set out the work that underpins that conclusion. The report also updates Members more generally on the progress of the audit service.

Background

2. Internal Audit is a required service under the Accounts & Audit Regulations 2011. The principal objective of Internal Audit is to examine and evaluate the adequacy of the Council's systems of internal control, risk management and corporate governance.
3. As those charged with overseeing Governance, the Audit Committee is the appropriate Member body to receive regular updates on the performance and effectiveness of the internal audit service. Ashford BC's audit service is provided by Mid Kent Audit as a partnership between Swale, Maidstone, Ashford and Tunbridge Wells Borough Councils. The four way partnership has operated since April 2010.
4. The overall scope of the Council's audit service is set out in advance within the annual internal audit plan. The Committee agreed the 2014/15 audit plan at its meeting in March 2014, and received an interim report on progress to date in December 2014.
5. We have completed the work set out in that plan, subject to modifications in year in response to prevailing risks and needs of the Council, in accordance with the Standards. Where there is any work outstanding at this time of writing this report the work is sufficiently advanced that the Head of Audit Partnership is satisfied its conclusions will not materially affect the Head of Audit Opinion. The final conclusions of any work outstanding will be reported to the Committee verbally during the meeting (where available) or as part of the first scheduled 2015/16 update.

Risk Assessment

6. Not applicable.

Equalities Impact Assessment

7. There are no proposals made in the report that require an equalities impact assessment.

Other Options Considered

8. The Standards demand that the Head of Audit present an annual opinion on internal control, corporate governance and risk management and detail the work underpinning that opinion to the organisation's audit committee (or equivalent). No other alternative action is possible while maintaining conformance with required Standards.

Consultation

9. The audit work detailed in the report has been the subject of ongoing consultation with audit sponsors and the Deputy Chief Executive across the course of the year. Members received a specific mid year update in December 2014.

Implications Assessment

10. Not Applicable

Handling

11. Not Applicable

Conclusion

12. The report presents the Head of Audit Opinion for 2014/15 and conclusions of work undertaken during the year.

Portfolio Holder's Views

13. Not Applicable

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MID KENT AUDIT

**Annual
Internal Audit
Report**

April 2014 – March 2015

**Ashford Borough
Council**



ASHFORD
BOROUGH COUNCIL

Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
2. Authority for Internal Audit is within the Accounts and Audit Regulations 2011 that require the Council to undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (PSIAS).
3. As required by these standards the Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. The opinion takes into consideration:
 - Internal Controls: Including financial and non-financial controls.
 - Corporate governance: Including effectiveness of measures to counter fraud and corruption.
 - Risk Management: Principally, the effectiveness of the Council's risk management framework.
4. In addition, the Head of Audit Partnership must confirm to the Audit Committee at least annually, the organisational independence of internal audit activity.

Independence:

5. Mid Kent Audit is provided through a shared service partnership together with Ashford, Maidstone, Swale and Tunbridge Wells.
6. At Ashford Borough Council, the Head of Audit Partnership has direct and unrestricted access to the Chief Executive, senior management and the Chair of the Audit. This right of access is contained within and reinforced by the Audit Charter, as approved by Management and the Audit Committee
7. Organisationally the Head of Audit Partnership reports to the Director of Mid Kent Services and, through the Shared Service Board, to the Deputy Chief Executive who is a member of the Council's senior management team. On no occasion has the Director of Mid Kent Services, the Deputy Chief Executive or any of the senior management team sought to restrict the scope of audit work or to change any report prepared by the Head of Audit Partnership.
8. We are satisfied that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

¹ This is the definition of internal audit included within the Public Sector Internal Audit Standards

Head of Audit Partnership Annual Opinion

9. This opinion statement is provided for Ashford Borough Council (the Council) in support of its Annual Governance Statement 2015, which is published alongside the statement of accounts for the year ended 31 March 2015.

Scope of responsibility

10. The Council is responsible for ensuring its business is conducted in accordance with the law and proper practices and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
11. In discharging this responsibility the Council is also responsible for ensuring that there exists a sound system of internal control with allows for effective exercise of the Council's functions and arrangements for the management of risk.

The purpose of the system of internal control

12. The system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The control environment

13. The Public Sector Internal Audit Standards (the 'Standards') states that the control environment includes the following elements:
- Integrity and ethical values.
 - Management's philosophy and operating style.
 - Organisational structure.
 - Assignment of authority and responsibility.
 - Human resource policies and practices.
 - Competence of personnel.
14. In examining the control environment, I have had regard to these elements and how they support the Council's framework of governance, risk management and control.

Basis of assurance

15. Mid Kent Audit has conducted audits both in accordance with the mandatory standards and good practice contained within the Standards and additionally from our own internal quality assurance systems, which include operating to an agreed audit manual with adequate supervision and review.
16. My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Council's assurance framework, that are covered by Internal Audit's programme. Where principal risks are identified within the Council's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, I am satisfied that an assurance framework is in place that provides reasonable assurance that these risks are being managed effectively.
17. Our work for the year to 31 March 2015 was completed in line with the operational plan approved by the Audit Committee on 18 March 2014.

Internal control

18. From the Internal Audit work undertaken in relation to 2014/15 it is my opinion that I can provide assurance that the system of internal control that has been in place at Ashford Borough Council (the Council) for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.

Corporate governance

19. In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Risk management

20. I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members.
21. I have based these opinions on the work outlined in the detail of this report.

Internal Control

22. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
23. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee in March 2014.

Summary of Audit Work – Ashford BC 2014/15

24. The table below sets out the internal audit projects undertaken during the year, including progression of work currently in the process of being finalised. Since the plan was agreed in March 2014 there have been a number of revisions to the scheduling of audit projects over the year, therefore a list of changes to the plan is also included as part of the table:

No.	Audit Project	Brief Agreed	Fieldwork	Draft Report	Final Report	Assurance Rating
	Audit Assurance Projects					
1	ICT Disaster Recovery	◆	◆	◆	◆	WEAK
2	Licensing	◆	◆	◆	◆	STRONG
3	Cemetery	◆	◆	◆	◆	SOUND
4	Members' & Officers' Declarations of Interest	◆	◆	◆	◆	SOUND
5	Housing Maintenance Contracts	◆	◆	◆	◆	STRONG
6	Housing Benefit System	◆	◆	◆	◆	STRONG
7	Project Office	◆	◆	◆	◆	SOUND
8	Business Rates System	◆	◆	◆	◆	STRONG
9	Graphical Information System (GIS)	◆	◆	◆	◆	STRONG
10	Council Tax System	◆	◆	◆	◆	STRONG
11	Housing Rents	◆	◆			
	Other Projects					
12	Greenov (two stage claim)	◆	◆	◆	◆	COMPLETE
13	National Fraud Initiative	◆	◆			PHASE 1
14	Farrow Court (project overview)	◆	◆	n/a	n/a	N/A

25. The team have completed 10 projects; of which 9 include a full assessment and assurance rating. We currently have 1 project in progress at the time of drafting this report. We expect IT to have reached draft reporting stage at least by the time of the Audit Committee meeting so will provide a verbal update.
26. Where work is incomplete at the time of preparing this report, we are satisfied that the work is sufficiently progressed to provide assurance that there are no matters arising that materially affect the Head of Audit Opinion. We will report the final conclusions of any work

outstanding to the Committee verbally during the meeting (where available) or as part of the first scheduled 2015/16 update.

27. We include a summary of each completed review below.

CHANGES TO THE PLAN

28. The audit plan must be flexible and reactive, capable of adaptation to the changing risks and needs of the Council. As in previous years this has resulted in a number of changes to the original plan; ten alterations in 2014/15. Of these ten, two have had their objectives met by other work completed in year, six are delayed as the projects they were to examine were delayed or modified and two have been delayed to allow completion alongside similar work elsewhere.

No.	Audit Project	Comments
1	Elections	As reported in December 2014
2	Courtside	As reported in December 2014
3	GM Project Board	Held back to allow completion of the project to be examined.
4	Waste Management	Assurance gained through follow up of 2013/14 waste management audit, removing the necessity of a separate review.
5	Homelessness/Hostel	Held back to be completed alongside equivalent work at other authorities
6	Economic Development	Held back to allow completion of the project to be examined.
7	Income Management (New System)	Held back to allow completion of the project to be examined.
8	Accounts Payable	Deferred to 2015/16 to be completed alongside review of new income management system.
9	Asset Management: Investment Properties	Held back to be completed alongside equivalent work at other authorities
10	Strategic Risk	Specific review replaced by ongoing support to the Council as it develops its approach to risk management.

Assurance Ratings Guide

Full Definition	Short Description
Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.	Service/system is performing well
Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.	Service/system is operating effectively
Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.	Service/system requires support to consistently operate effectively
Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.	Service/system is not operating effectively

Audit Review Findings

29. We have completed 10 projects relevant to the Council that included an assessment and assurance rating. We include below an extract from each report supporting the conclusion of the audit. We are pleased to report that management accepted our audit findings, and set target dates for implementing the recommendations. We will follow up that implementation as the recommendations fall due over the coming months.

No.	Audit Project	Assurance
1	ICT Disaster Recovery	WEAK
2	Licensing	STRONG
3	Cemetery	SOUND
4	Members' & Officers' Declarations of Interest	SOUND
5	Housing Maintenance Contracts	STRONG
6	Housing Benefit System	STRONG
7	Project Office	SOUND
8	Business Rates System	STRONG
9	Graphical Information System (GIS)	STRONG
10	Council Tax System	STRONG

(1) ICT Disaster Recovery (previously reported at interim in December 2014)

30. We conclude based on our audit work that there are **WEAK** controls in place for the Council's IT Disaster Recovery arrangements.
31. The Council's current IT disaster recovery arrangements have several strengths, including clear integration with wider business continuity plans. Later in 2014 the Council is changing its back up arrangements, which will bring a number of benefits including better geographical separation of facilities. However the effectiveness of these arrangements is unproven as there has been no recent testing. Further, the arrangements are not clearly set out in a single place but rather spread among other documents which limit clarity.
32. Since we issued our report the Council has moved its IT arrangements to a new provider, as planned, and made the adjustments in documentation recommended by our audit. The service has agreed to undergo a test of the new arrangements in time to implement our principal recommendation by 30 June 2015 and we will follow up the results of that test in July 2015.

(2) Licensing (previously reported at interim in December 2014)

33. We conclude based on our audit work that the Licensing Service has **STRONG** controls in place to support its objectives.

34. The Licensing Service effectively administers the processing of licence applications. We found that the Service maintains accurate and complete records of licence applications and maintains a good record of compliance with applicable legislation and regulation. The service collects fees in advance of licences issue, bringing benefits to the Council's cash flow. The service also keeps fees up to date and under review to ensure consistency with legislation, the Council's financial requirements and its policy aims.

(3) Cemetery

35. We conclude based on our audit work that the Cemeteries Service has **SOUND** controls to control its risks and support its objectives.
36. We found that the Service has taken appropriate actions to address the findings of an external review conducted in February 2014. These actions include introducing new registers and administrative processes which assist the Service in maintaining accurate and complete records, but there remain some minor issues for the service to address to achieve full compliance. More generally, we found sound processes in place for setting and collecting fees as well as for maintaining cemeteries but again identified some minor issues to resolve such as clarifying VAT arrangements and strengthening risk assessment.

(4) Members' And Officers' Declarations of Interest

37. We conclude based on our audit work that there are **SOUND** controls in place to achieve compliance with the Council's Codes of Conduct (for officers and members) with regards to declarations of interest.
38. We assessed how the Council collects, records and reports declarations made by elected members and officers. We are satisfied that the Council's systems for managing Members' and officers' interests are sound in both design and operation to ensure statutory and policy compliance. We identified one weakness in the officer process where human error had led to gaps in the data set but the service has already moved to rectify the gap.
39. To further assess the process' effectiveness in practice we undertook a data matching exercise between Member and Officer declarations and information held by Companies House. We identified 4 Member matches and 11 Officer matches that had not been declared. We have provided those details to the Monitoring Officer and Head of Personnel & Development for further review, although it is important to note that there are legitimate circumstances that could make such an interest non-declarable. We had no prima facie concerns around the matches identified, but will follow up this review once the service has completed its own enquiries.

(5) Housing Maintenance Contracts

- 40. We conclude based on our audit work that the service has **STRONG** controls to manage its responsive repairs service and mitigate risk.
- 41. Our work found that the procedures for order raising and payment of works are well established and properly observed by staff. The service appropriately defines and applies both pre and post inspection arrangements. Our work covering aspects of contract monitoring confirmed compliance with contractual provisions. We also note the low number of defaults issued under the contracts in place and the high levels of customer satisfaction.

(6) Housing Benefit System

- 42. We conclude based on our audit work that **STRONG** controls exist over the design and operation of the Housing Benefit system.
- 43. Our testing confirmed the effectiveness of key controls operating within the housing benefit system as well as the management of risks and associated process. Controls are in place to focus more detailed verification on types of claims more prone to fraud and error as consistent with the DWP's risk based verification framework. Management controls exist and operate effectively for checking validity and integrity of information held on the system ensuring the correct assessment, calculation and payment of housing benefit. Our testing found no areas of concern.

(7) Project Office

- 44. We conclude based on our audit work that the Project Office has **SOUND** controls to manage its project delivery risks.
- 45. Our work has confirmed the Project Office adheres to the Council's Contract Procedure rules for the areas tested. We found the standard of contract administration is generally good for ensuring delivery of works and payments in accordance with contract terms.
- 46. We identified a small selection of areas the service could address to improve, including formalising contract certificates (currently agreed only by email correspondence) and creation of a consistent documentation file structure. In addition we make a further small selection of recommendations related to management of the specific projects in our review.

(8) Business Rates System

- 47. We conclude based on our audit work that the **STRONG** controls exist over the design and operation of the Business Rates system.
- 48. Our testing confirmed the effectiveness of key controls operating within the business rates system as well as the management of risks and associated processes. Controls are in place to fulfil the roles and responsibilities of the service level agreement with Canterbury City Council. Management controls exist to monitor the delivery of the agreement. Our testing found no areas of concern.

(9) Graphical Information System (GIS)

- 49. We conclude based on our audit work that there are **STRONG** controls in operation surrounding the management of the Caps Esri GIS system.
- 50. The service has controls that are well designed and operate effectively. The process is well controlled and mitigates against the risk of incomplete or inaccurate data arising or remaining in the system. Our testing identified high levels of user satisfaction with the system, but also a view that users would benefit further from additional training. Management have already responded by arranging drop in training sessions.

(10) Council Tax System

- 51. We conclude based on our audit work that **STRONG** controls exist within the Council Tax system.
- 52. Our testing confirmed the effectiveness of key controls within the council tax system in both their design and operation as well as the management of risks and associated processes. Management controls are in place to check the validity and integrity of information held on the system. Our testing found no areas of concern, or notable areas where the service might reasonably look to improve its operation.

Follow-up of Internal Audit Recommendations

53. In June 2014 we advised the Audit Committee of our revised process for following up agreed audit recommendations. We undertook work throughout the year to systematically follow-up on all agreed audit recommendations as they fell due. We have reported progress each quarter to senior managers.
54. We are pleased to report that our new approach has been received positively and already developing case studies to demonstrate how an increased and systemic focus on recommendations has assisted management in making the changes agreed as arising from audit work. The table below sets out in more detail progress against specific reports with respect to recommendations falling due for implementation on or before 31 March 2015.

Project	Assurance Rating ²	Agreed Actions	Actions Completed	Actions past due date	Actions Not Yet Due
Debtors	Substantial	3	3	0	0
Pest Control	Substantial	6	6	0	0
Car Parking	Substantial	3	3	0	0
Rechargeable Works	Limited	4	4	0	0
NNDR – Valuation, Liability & Billing	Substantial	9	9	0	0
Council Tax – Recovery & Write Off	Substantial	4	4	0	0
Housing Allocations	Substantial	3	3	0	0
Waste Management	Limited	18	18	0	0
General Ledger	Substantial	2	2	0	0
Housing Benefit & Council Tax Overpayments	High	3	3	0	0
VAT	Limited	16	15	0	1
Car Leasing & Cash Alternatives	Substantial	4	3	0	1
Business Continuity Planning	Limited	9	7	0	2
Banking Arrangements	Limited	5	2	0	3
Creditors	Substantial	3	2	0	1
Health & Safety	Substantial	9	3	0	6

² As originally issued. Where an audit project was finalised in 2013/14 or earlier it is shown with the then-current assurance rating on a scale (starting with the highest) of High/Substantial/Limited/Minimal. Where a project was finalised in 2014/15 it is shown with our current assurance rating, as described on page 6.

Project	Assurance Rating ²	Agreed Actions	Actions Completed	Actions past due date	Actions Not Yet Due
Planning Enforcement	Substantial	4	1	0	3
ICT Disaster Recovery	Weak	2	1	0	1
Cemeteries	Sound	5	0	0	5
Member & Officer Declarations of Interest	Sound	2	1	0	1
TOTAL		114	90	0	24
			79% of agreed (100% of due)		21% of agreed

Summary of Findings

55. Of the 20 audit projects followed-up in 2014/15 five – **Rechargeable Works, Waste Management, VAT, Business Continuity Planning and Banking Arrangements** – originally received an assurance rating of **limited**. Each service area has worked hard to address the issues raised by our audits, and to implement recommendations. We re-tested the controls as part of the follow up and conclude in each case (with one exception) the controls now provides a **substantial** level of assurance. As the review was conducted using the 2013/14 assurance ratings, we have for consistency, employed the same rating system for the re-assessment.
56. The **Banking Arrangements** review remains assessed as **limited** principally because three two most significant of our five recommendations (those rated high priority) have not yet fallen due for implementation. Once they do fall due later in 2015, we will test the controls and re-assess the level of assurance. Members will receive further updates through 2015/16.
57. One further projects – **ICT Disaster Recovery**– received **weak** assurance rating but only one of its recommendations fell due for implementation on or before 31 March 2015. As noted above, we will examine these recommendations when they are due and potentially reassess the assurance rating, reporting our revised findings to the Committee in due course.
58. Overall, we are very pleased with the performance of management in addressing recommendations, demonstrating audit and services working closely together to help improve how the Council operates. We would like to draw particular attention to the assistance we have received from Senior Management in supporting the process. This approach represented a significant change from our previous practice and can only be effective where management are dedicated to taking appropriate action in response to our findings.

Corporate Governance

- 59. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
- 60. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or officers through whistleblowing and the Council's counter fraud and corruption arrangements.
- 61. Members will recall in June 2014 we reported a response on the Council's behalf to a CLG consultation on secondary legislation following on from the Local Audit and Accountability Act 2014. The Government has since published its response and laid the final regulations before Parliament, confirming arrangements for collective procurement of external audit services via a 'specified person' and bringing forward the accounts publication date from 30 September to 31 July by 2018.

Counter Fraud & Corruption

- 62. We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements.

Whistleblowing

- 63. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour.
- 64. We received no disclosures in 2014/15 raised through the whistleblowing policy.

National Fraud Initiative

- 65. We have continued to co-ordinate the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data, securely, to the Cabinet Office (who have taken on responsibility for managing NFI following the demise of the Audit Commission).
- 66. The 2014/15 NFI exercise included the following services included datasets across creditors, payroll, housing benefits, licensing, parking, housing tenants and insurance.

67. The NFI team then analyse this data and release it back to authorities in the form of 'matches' – items identified by the analysis as potentially indicative of fraud or error. These might include, for example, the same national insurance number appearing as receiving a significant amount of salary from authority A yet making a benefit claim in authority B. Another example might be repeated payments to the same supplier at the same value, potentially indicating erroneous (or even fraudulent) duplicate payments.
68. The NFI team released the data in two tranches, January and March 2015, for investigation by authorities. The matches are generally flagged as 'high priority' where, based on the NFI team's experience, there is more chance of the match having identified a fraud rather than a simple error or quirk in the data. The NFI team recommend that councils should seek to follow up, in the first instance, all high priority matches by September 2015. Progress to date is summarised in the table below:

Data Set	Number of Matches (High Priority)	Investigated / In Progress	Outcomes
Housing Benefits	937 (196)	47	£11,803.30
Creditors	439 (59)	0	-
Housing Tenants	36 (15)	17	£0
Payroll	9 (1)	8	-
Licensing	0	-	-
Parking	0	-	-
Insurance	4 (4)	1	-
TOTAL	1,425 (275)	73	£11,803.30

69. The £11,803.30 in outcomes relates to a single case where a fraud or error arose from examining a match between the Council's benefit claimant data and student loan records. One further fraud or error was noted in the Housing Tenant data set but did not result in a financial outcome.

Risk Management

70. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
71. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
72. The Council's Strategic Risk Register outlines eleven risk scenarios:
 - Economic growth
 - Right mix of quality housing
 - Volatile income streams
 - Community demands
 - Consequences of welfare reform
 - Opportunities for localism
 - Workforce planning
 - Members – skills, capacity & experience
 - Business planning
 - Housing
 - Infrastructure
73. The Council plans to revisit and update its strategic risks in 2015/16, to align with its corporate priorities.
74. We are currently working across the partnership to help authorities improve the risk management process and clarify the role of the audit service in assisting risk management. As we progress we will be working closely with officers to ensure that approaches and information developed and identified are made available across the partnership.
75. We will update the Committee as this work progresses through 2015/16.

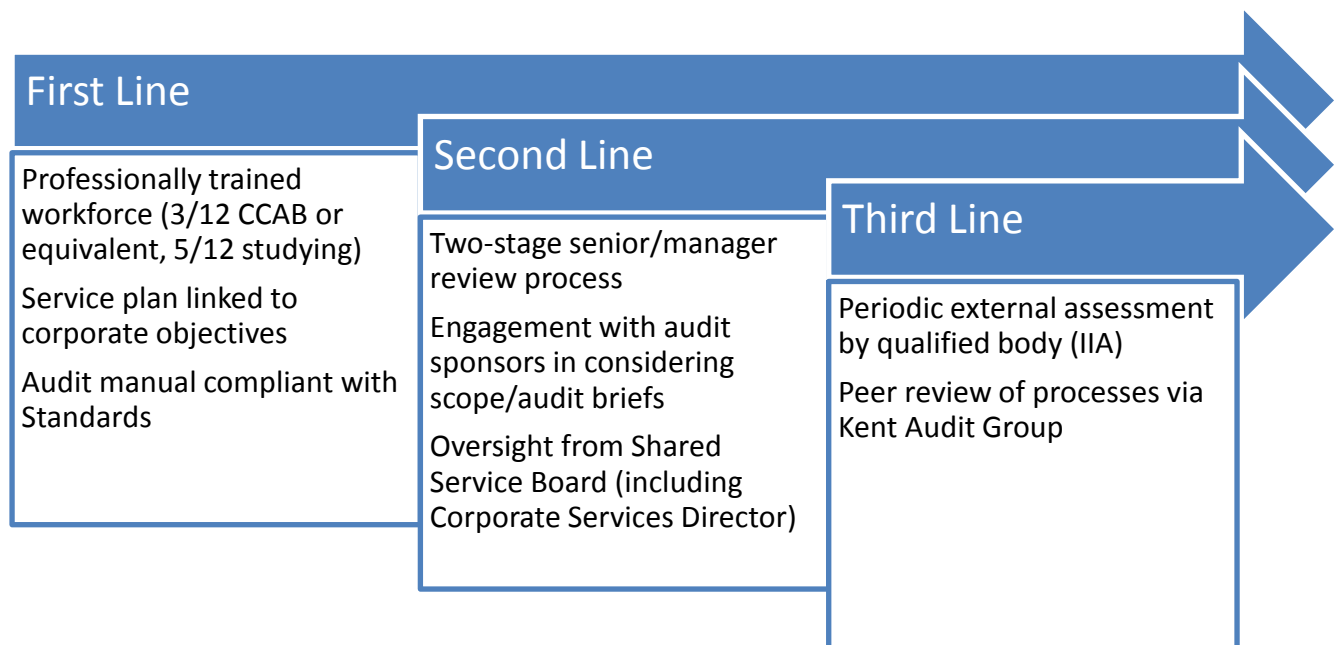
Mid Kent Audit Service Update

Quality Assurance and Improvement Programme: Public Sector Internal Audit Standards

76. The Public Sector Audit Standards (the 'Standards') demand that we include for Members a report on how we have assured the quality of our work and plans for maintaining and improving that quality.
77. A key means of quality assurance included within the Standards is the requirement for every internal audit service to receive external assessment against the Standards at least every five years. We commissioned the Institute of Internal Audit (IIA) to undertake an external quality assessment of Mid Kent Audit and we reported the outcome of that review to Members in March 2014, concluding we were fully conforming to 50 of the standards and partially conforming to the remaining 6.
78. During 2014/15 we worked to implement the recommendations left by the IIA, some of which we could only address in early 2015 as they related to the process for compiling our annual audit plan. In April 2015 we invited the IIA back to re-evaluate the audit service based on our progress and we are very pleased to report their assessment that we are now **fully conforming** to the Standards. A copy of the IIA follow up report is included in Annex A.
79. Also during 2014/15 the Head of Audit Partnership was successful in an application to join the **Internal Audit Standards Advisory Board (IASAB)** as its Local Government practitioner representative. The IASAB is responsible for monitoring use and overall adherence to the Standards, including making recommendations for their development. The Head of Audit's presence on the IASAB will give us early insight into developing issues around audit quality as well as access to leading and best practice from across the public and private sectors; other members including representatives from the major audit firms, accountancy bodies, NHS auditors, the London Stock Exchange, HM Treasury and each of the devolved parliaments.

Quality Assurance and Improvement Programme: Ongoing monitoring

80. However, quality assurance is not simply something to be assessed periodically and externally; it is central to all of our work. The chart below sets out, very briefly, some of the core practices and processes we employ to assure the quality of our work.



Quality Assurance and Improvement Programme: Developments Planned for 2015/16

81. We continue to examine and review our processes, drawing on feedback from Members and officers as well as best practice from across public and private sector audit. For 2015/16 we intend a number of developments to our service to further improve, including:
- Increased standardisation of our work around the three core elements of the opinion (internal controls, core finance and corporate governance) while retaining clear mandate to vary the scope according to identified risk,
 - Examining the structure of our audit team with a view to making more use of knowledge gained across the partnership to inform best practice both in our work and that of the partner authorities, and
 - Continuing to work with partner authorities to develop their risk management processes, including a clear channel into risk management to both record audit findings and use identified risks to drive audit planning.
82. It would be remiss at this point though not to acknowledge the exceptional efforts and talents of our audit team in both enabling us to be recognised by the IIA as full conforming – still a rare distinction – as well as allowing us to continue positive developments within the service. Both the Head of the Partnership and the Audit Manager are grateful for the continuing skill, hard work and dedication of our auditors.

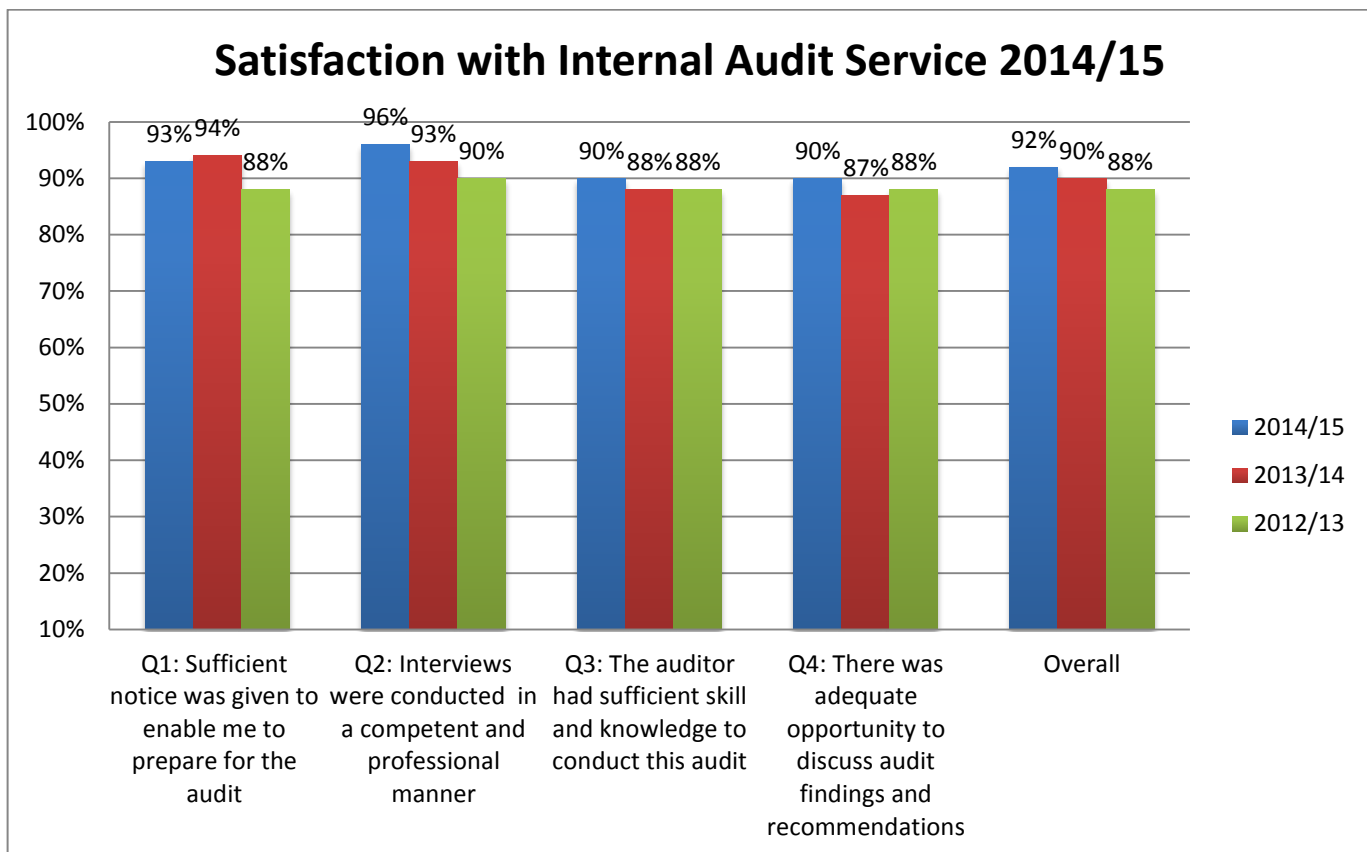
Performance

83. Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Shared Service Board (with Paul Naylor as Ashford BC's representative) considers these measures at each quarterly meeting.
84. Below is the outturn from the performance report for 14/15, as reported to Shared Service Board on 4 June. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.
85. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	Outturn	Target & Commentary
% projects completed within budgeted number of days	47%	Much improved from 2013/14 performance (18%) and indicative of continued work within the team to shape realistic budgets based on agreed scope. In 2015/16 we will work towards a target of 60% as suggested by trend towards the end of the year.
% of chargeable days	75%	Proportion of available days spent on productive client-focussed work rather than administration, training, general management and so on. General target used by Kent Audit Group members is 70%.
Full PSIAS conformance	56/56	As confirmed by IIA assessment (see annex).
Audit projects completed within agreed deadlines	41%	As with the budgeted number of days indicator, this is developing as we enhance our planning approach (previously we made no specific commitment at all to audit sponsors on when to expect the final report). In 2015/16 we will work towards a target of 60%.
% draft reports presented within ten days of fieldwork concluding	56%	Another new indicator (previously we did not track how promptly reports were delivered) and has led to a streamlining of our review process which has also enabled giving greater responsibility to the role of Senior Auditors. In 2015/16 we will work towards a target of 70%.
Satisfaction with assurance	100%	From satisfaction surveys (see below).
Final reports presented within 5 days of closing meeting	89%	The only occasions where we did not meet this target were where we engaged in ongoing discussion with the service on how best to respond to recommendations. For this reason, we work to a 90% target for this indicator.
Respondents satisfied with auditor conduct	100%	From satisfaction surveys (see below).
Recommendations implemented as agreed	95%	As reported elsewhere in this review.
Exam success	100%	All of our team were successful in professional exams in 2014/15. We generally work towards a target of 75%, slightly ahead the national pass rate of 70%.
Respondents satisfied with auditor skill	100%	From satisfaction surveys (see below).

Satisfaction with Internal Audit Service – Mid Kent Audit 2014/15

86. At the close of each audit project we issue a satisfaction survey to recipients of our final report, which will include the Audit Sponsor as well as key operational managers engaged in the audit.
87. We ask four questions, designed to measure the overall audit experience:
- Sufficient notice was given to enable me to prepare for the audit.
 - Interviews were conducted in a competent and professional manner.
 - The auditor had sufficient skill and knowledge to conduct this audit.
 - There was adequate opportunity to discuss audit findings and recommendations.
88. Respondents score each question either: Strongly Agree (4), Agree (3), Disagree (2) or Strongly Disagree (1).
89. The level of satisfaction has been calculated by using the total responses received to give an overall level of satisfaction, compared with 12/13 and 13/14 (the percentage indicating proportion of total marks available, i.e. 100% would be each return scoring 'Strongly Agree' (4), 75% if each had reported 'Agree' (3) and so on. We received no responses at the Disagree/Strongly Disagree level in 2014/15):



90. We are encouraged by having maintained consistently high satisfaction ratings during a period in which we have made significant changes to how we complete and report our work.

Acknowledgements

91. We would like to thank Managers, Officers and Members for their continued support, assistance and co-operation as we complete our audit work during the year.

Annex A: IIA Follow Up Report



Rich Clarke
Head of Audit Partnership

30 April 2015

Ref:201504Mid-Kentfollow-up

Mid-Kent Audit Partnership External Quality Assessment (EQA) follow-up

Dear Rich

Following our meeting on Wednesday 15 April 2015, during which we discussed and reviewed implementation of EQA actions points, I am pleased to inform you that sufficient progress has been made to enable the partnership to state that it conforms fully to the International Standards for the Professional Practice of Internal Auditing. Our decision is based upon the examination of evidence that addresses the six areas of partial conformance highlighted in our report in January 2014, as follows:

- 1. Standard 1000 Purpose, Authority and Responsibility** - Review and update of the internal audit charter in March 2015 that has established a specific and tailored charter for each of your clients within partnership. Also the expansion of the charter to include more detailed explanation of internal audit's role in relation to risk management, projects and fraud. We also acknowledge the inclusion of sections that set out how internal audit will manage quality and make decisions on performing consultancy work based upon defined criteria.
In July 2015 the Institute will be publishing amendments to the professional practice framework to include a new mission statement and a new set of principles. This may present a timely opportunity to review the charters and your audit manual.
- 2. Standard 1310 Requirements of the Quality Assurance and Improvement Programme** – Developing a broader range of performance indicators in a balanced scorecard style that was presented to audit committees in March 2015 as an appendix to the 2015/16 audit plans and had been agreed with Management in mid-2014.
With the scorecard in place we suggest that a forward looking timetable of quality reviews with scheduled reports could now be prepared and shared with audit committees.
- 3. Standard 2010 Planning** – The 2015/16 audit plans show a clear link to key governance and strategic risk issues based upon defined categories of risk. The revised methodology also demonstrates an internal audit plan that provides a good balance between high profile objectives and important systems and procedures that are relied upon on a day by day basis.
As the organisations within the partnership develop their approach to risk management we anticipate a point where the defined risks and mitigating action can be relied upon as the basis for the internal audit plan and individual audit engagements, making it unnecessary for internal audit to prepare their own

assessment of risk. We would also envisage the need to update plans during the year to accommodate emerging risks.

4. **Standard 2050 Coordination** – Senior managers within the audit partnership are devoting considerable time and effort to developing a coordinated approach to assurance. This began with presentations upon the three lines of defence followed by workshop exercises and surveys to determine who provides assurance and how it is delivered. We appreciate that the next step will be to prepare Assurance Maps showing who is providing assurance against management’s mitigation of key risks and to further integrate this information into internal audit plans.

We foresee a time when internal audit will be working on a joint basis with other assurance providers and relying on the assurance of others to maximise assurance coverage. This particularly applies to the coverage of routine systems and procedures as part of the 4 year strategic audit plan.

5. **Standard 2120 Risk Management** – Through its consultancy role internal audit is supporting and facilitating the development of risk management within each of the partner organisations, albeit each organisation is at a different stage in its development. For example, we note the progress upon helping authorities to formulate risk appetite statements. At the same time internal audit has begun to conduct health checks and assurance upon risk management.

Providing assurance upon the maturity and effectiveness of risk management is a key feature of the Standards and of good governance. To achieve this objective internal audit needs to be fully independent from risk management and at some point it will be advantageous for them to stand back from the process. However, for the time being we recognise the value of their risk related work.

6. **Standard 2210 Engagement Objectives** – An updated approach to audit engagements has introduced a new template to prompt internal auditors to consider and focus upon the key objectives and risks of the service under review. This underlines and delivers upon the risk based approach to planning. We acknowledge that the template has been introduced to the audit manual and is part of an audit methodology that is motivating the team.

Finally I would also like to recognise some of the additional changes you have made that support the requirements of the Standards and demonstrate the commitment to continuous improvement, including:

- Reviewing current skill levels to identify potential gaps and resource needs.
- Training and qualifications programmes to fill gaps and develop competencies
- Time recording to enhance management and delivery of plans.
- Refinement and simplification of audit reporting format.
- Improved follow-up procedures using Teammate.

If I can be of further assistance please do not hesitate to drop me an email at my usual address and in the meantime we wish you every success.

Chris Baker

[signed]

Technical Manager, Chartered Institute of Internal Auditors

Agenda Item No: 6
Report To: AUDIT COMMITTEE

Date: 30 JUNE 2015

Report Title: AUDIT COMMITTEE ANNUAL REPORT 2014/15

Report Author: Rich Clarke



Summary:	The 2014/15 annual report of activity of the Audit Committee in discharging the responsibilities set out for it in the Council's constitution
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Key Decision: No

Affected Wards: All

Recommendations: **1. The Audit Committee agree the content and format of its Annual Report.**

2. The Audit Committee agree to provide the Annual Report to Full Council, asking that it be noted.

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Implications: Not Applicable

Exemptions :

Background Papers: Audit Committee Annual Report 2014/15

Contacts: rich.clarke@midkent.gov.uk – Tel: (01233) 330442

Report Title: Audit Committee Annual Report 2014/15

Purpose of the Report

1. To provide Members with assurance on the work and effectiveness of the Audit Committee.

Background

2. The Audit Committee must monitor and obtain assurance on the Council's control environment. The attached report sets out how the Committee has undertaken that task.
3. The internal control environment is the network of systems and controls established to manage the Council and ensure it meets its objectives. It includes financial and other controls, and arrangements for ensuring the Council achieves value for money.
4. In line with best practice the Committee has produced an Annual Report.

Risk Assessment

5. Not applicable.

Equalities Impact Assessment

6. There are no proposals made in the report that require an equalities impact assessment.

Other Options Considered

7. Production of an annual report is considered by CIPFA and others to represent good practice. No other options have been considered.

Consultation

8. The Committee has previously been consulted on the format and content of its annual report, and this version follows the conventions established in previous years.

Implications Assessment

9. Not Applicable

Handling

10. Not Applicable

Conclusion

11. Based on the report presented, the Committee is satisfied it operates effectively.

Portfolio Holder's Views

12. Not Applicable

Contact: Rich Clarke Tel: (01233) 330442

Email: richard.clarke@ashford.gov.uk or rich.clarke@midkent.gov.uk

**Audit Committee
Annual Report 2014/15**



ASHFORD
BOROUGH COUNCIL

Introduction

The Council established the Audit Committee as a full committee from December 2006. Although there is no statutory obligation for a local authority to have an Audit Committee, they are widely recognised across public and private sectors as a core component of effective governance.

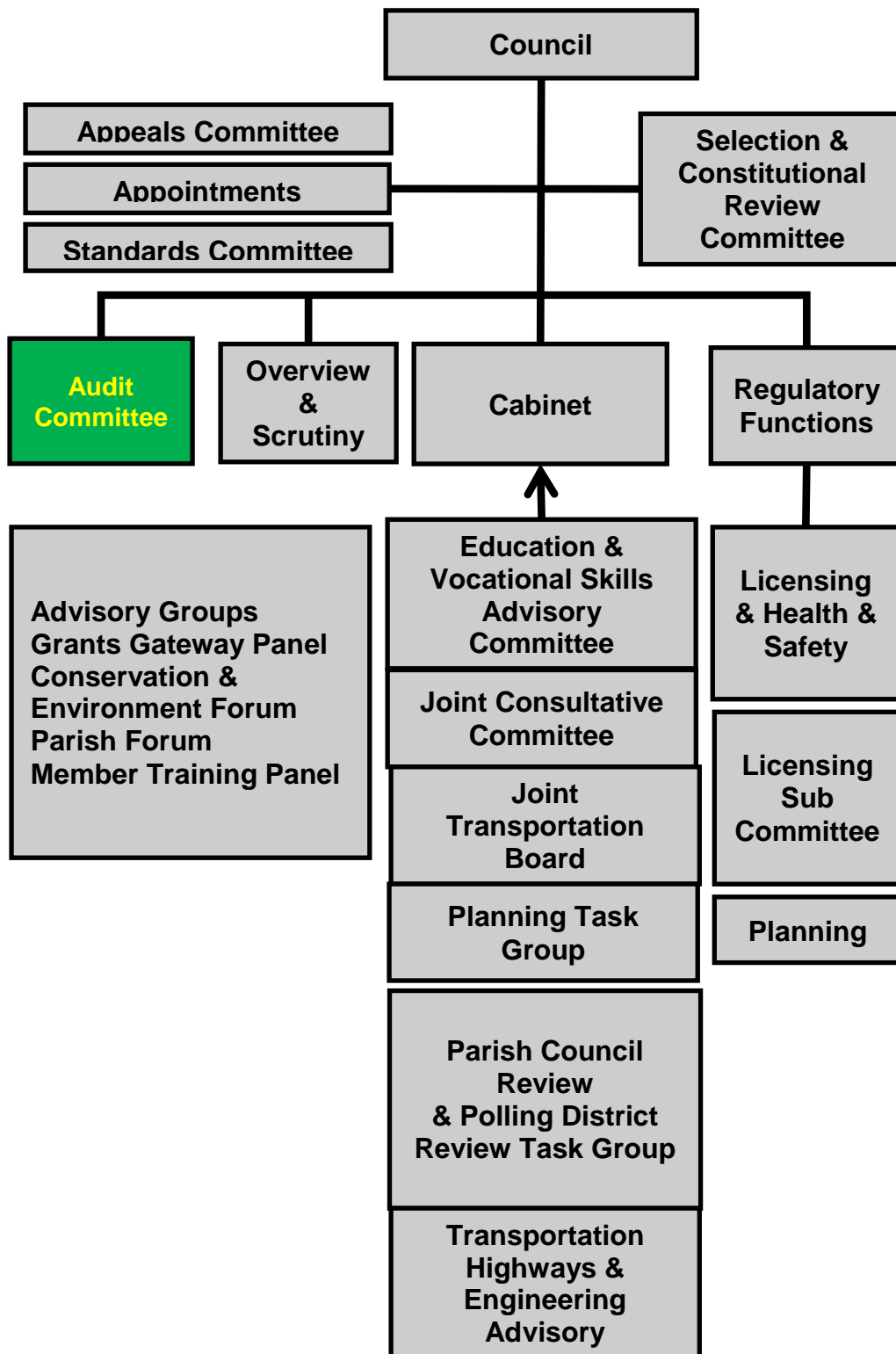
Audit Committees differ from Scrutiny Committees in that the role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. The Audit Committee, however, exists to provide **independent assurance** of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and affects the control environment, and oversight of the financial reporting process.

The Committee **is not a substitute for the executive function** in the management of internal or external audit, risk management, corporate governance, stewardship reporting, internal control or any other review or assurance function. It is the Committee's role to examine these functions, and to offer opinions or recommendations on their management.

There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the committee will:

- raise greater awareness of the need for internal control and the implementation of audit recommendations;
- increase public confidence in the objectivity and fairness of financial and other reporting;
- reinforce the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement);
- Provide additional assurance to the Authority and its stakeholders through the results of its reviews.

Ashford Borough Council – Committee structure 31 March 2015



Terms of reference and responsibilities

The Committee's detailed terms of reference are set out in the Council's Constitution and are based on the Chartered Institute of Public Finance and Accounting (CIPFA) model.;

Audit Activity

- The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity and the level of assurance it gives.
- The summary of internal audit reports issued in the previous period.
- Reports on the management and performance of the Audit Partnership Agreement.
- Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- The External Auditor's Annual Management Letter and relevant reports.
- Any detailed responses to the External Auditor's Annual Letter.
- Specific reports as agreed with the External Auditor.
- The scope and depth of external audit work and to ensure it gives value for money.
- Liaison with the Audit Commission¹ on appointment of the Council's External Auditor.
- The commissioning of work from internal and external audit.

Regulatory Framework/Risk Management

- An overview of the Constitution on Contract Procedures and Financial Regulations.
- The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
- Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the Council's complaints process.
- To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
- The Council's compliance with its own and other financial standards and controls.
- The External Auditor's report on issues arising from the Audit of the Accounts.

¹ The Audit Commission was abolished on 31 March 2015, and this responsibility passed to PSAA Ltd

- The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09)².

Delegations

- The approval of the Annual Statement of Accounts in line with the statutory requirements including those relating to the publishing deadlines. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the Council.

² Similarly, the Overview and Scrutiny Committee may refer matters to the Audit Committee

Membership

The Audit Committee comprises of eight members and met four times during the municipal year 2014/15. Committee agenda papers and minutes are available on the Council's website www.ashford.gov.uk

2014/15 Audit Committee Members

**Cllr Clokie
Chairman**



**Cllr Link
Vice Chairman**



**Cllr Marriot
(member until 9/14)**



Cllr Michael



Cllr Smith



Cllr Buchanan



Cllr Shorter



**Cllr Yeo
(member until 3/15)**



**Cllr Sims
(member from
12/14)**



**Cllr Britcher
(member from
3/15)**



Committee Attendance 2014/15

The Committee has been well supported throughout the year by both members and officers, and attendance records are set out in the table below.

Member/Officer	26 Jun 14	25 Sep 14	2 Dec 14	3 Mar 15
<u>Audit Committee Members</u>				
Cllr Clokie (Chairman)	Present	Present	Present	Present
Cllr Link (Vice Chairman)	Present	Apologies	Apologies	Present
Cllr Marriott (until 9/14)	Present	-	-	-
Cllr Michael	Present	Present	Substituted	Substituted
Cllr Smith	Present	Apologies	Present	Present
Cllr Buchanan	Apologies	Present	Apologies	Present
Cllr Shorter	Apologies	Absent	Substituted	Present
Cllr Yeo (until 3/15)	Substituted	Present	Present	-
Cllr Sims (from 12/14)	-	-	Present	Present
Cllr Britcher (from 3/15)	-	-	-	Apologies
<u>Substitute Members</u>				
Cllr Chilton (for Cllr Yeo)	Present	-	-	-
Cllr Mrs Dyer (for Cons. vacancy)	-	Present	-	-
Cllr Davey (for Cllr Michael)	-	-	Present	Present
Cllr Galpin (for Cllr Shorter)			Present	-
<u>Other Members</u>				
Cllr Galpin	Present	Present	(sub, above)	Present
<u>Officers</u>				
Deputy Chief Executive	Present	Present	Apologies	Present
Head of Audit Partnership	Present	Present	Present	Present
Head of Personnel & Development	Present	-	-	-
Audit Partnership Manager	Present	Present	Present	Present
Head of Finance	-	Present	Present	Present
Finance Manager	Present	-	-	-
Principal Accountant	-	Present	-	Present
Policy & Performance Manager	Present	-	-	Present
Investigations Manager	Present	-	-	-
Senior Auditor	Present	-	-	-
Funding & Partnerships Officer	Present	Present	Present	-
Senior Member Services Officer	Present	Present	Present	Present
<u>External Audit (Grant Thornton)</u>				
Andy Mack	Present	Present	-	-
Lisa Robertson	Present	-	Present	Present

Emily Hill	-	-	Present	Present
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The Committee completed the following programme during 2014/15

Issue	26 Jun 14	25 Sep 14	2 Dec 14	3 Mar 15
<u>Internal Audit Activity</u>				
Internal Audit Annual Report 2013/14	X	-	-	-
Reporting Refresh 2014/15	X	-	-	-
Internal Audit Interim Report	-	-	X	-
Internal Audit Plan 2015-2019	-	-	-	X
Internal Audit Charter 2015/16	-	-	-	X
<u>External Audit Activity</u>				
Letter of Assurance 2013/14	X	-	-	-
Work Programme & Fees 2014/15	X	-	-	-
Auditor's Findings Report 2013/14	-	X	-	-
Annual Audit Letter 2013/14	-	-	X	-
Progress Report	-	-	X	X
Certification of Grant Claims 2013/14	-	-	-	X
<u>Regularity Framework/Internal Control Arrangements</u>				
Audit Committee Report 2013/14	X	-	-	-
Annual Governance Statement 2013/14	X	-	-	-
Anti-Fraud & Corruption Policies	X	-	-	-
Annual Fraud Report 2013/14	X	-	-	-
AGS: Progress on Remedial Action	-	X	X	X
Strategic Risk Management Update	-	X	-	X
Consultation on Public Audit	-	X	-	-
<u>Accounts</u>				
Statement of Accounts 2013/14	-	X	-	-
Accounting Policies 2014/15	-	-	-	X

The Committee has also sought to maintain and update its knowledge by commissioning a series of briefings on areas of current interest, taking place immediately before each meeting and open to all Members. During 2014/15 these briefings covered:

- Risk Management (June 2014)
- Business Rates Localisation and Appeals (September 2014)
- Procurement (December 2014)
- Counter Fraud (March 2015)

Assurance

The Audit Committee has considered the following areas to assist it in gaining assurance of the governance arrangements within the organisation as part of its annual work programme.

Risk Management
<ul style="list-style-type: none">• Consider the effectiveness of the Authority's risk management arrangements• Seek assurance that action is being taken on risk-related issues identified by auditors and inspectors

This has been achieved by:

- Receiving progress reports on Strategic risk areas, considering progress on individual risks;
- Receiving progress reports on internal and external audit issues.

Internal Control assurance
<ul style="list-style-type: none">• Consider the effectiveness of the Authority's control environment• Be satisfied that the Authority's assurance statements including the Annual Governance Statement properly reflect the control environment and any actions required to improve it

This has been achieved by:

- Considering the review of internal control for 2013/14 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2013/14
- Approving the Authority's Annual Governance Statement for 2013/14 and the action plan to address significant improvements. These were incorporated into the Improvement Plan and actions have been monitored by the Committee throughout the year;
- Received and considered the Annual Fraud report

Audit Activity
<ul style="list-style-type: none"> • Approve (but not direct) Internal Audit's strategy and plan and monitor performance • Review summary Internal Audit reports where they've received a 'limited' or 'minimal' assurance and seek assurances that action has been taken where necessary • Receive the annual report of the Head of Internal Audit Partnership. • Consider the reports of external audit and inspection agencies • Ensure there are effective relationships between internal and external audit, and inspection agencies

Internal Audit

The Committee has:

- Received and considered the Head of Internal Audit Partnership's Annual Report for 2013/2014, including the opinion on the Authority's control environment which was incorporated into the Annual Governance Statement;
- Received reports on the Internal Audit team's progress against the Plan;
- Received reports setting out the position regarding the agreement of audit reports and the assurance opinions provided for each review area;
- Received a report from an external assessor to provide assurance that Internal Audit comply with Public Sector Internal Audit Standards (PSIAS)
- Considered and agreed the Internal Audit Annual Plan for 2015-2018
- Reviewed the refreshed internal audit reporting framework.

External Audit

The Committee has:

- Received and commented upon the Annual Audit Letter for 2013/14,
- Considered and commented upon the Audit Plan for 2014/15;
- Considered and commented upon the certification of grant claim report for 2013/14;

- Received progress reports on the action taken in response to external audit recommendations via the corporate improvement reports.

Accounts
<ul style="list-style-type: none"> • Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit

The Committee has sought assurance by:

- Considering changes both to the format of the Accounts and the accounting policies used to prepare the accounts;
- Approving the Statement of Accounts for 2013/14;
- Receiving and considering the Annual Governance Report 2013/14, and agreeing the signing of the letter of representation by the Chairman of the Audit Committee, Deputy Chief Executive and the Leader of the Council;

Review of the Audit Committee's Effectiveness

In partnership with its External Auditors, and with the support of Officers, the Audit Committee has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues. It is concluded therefore, that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties for 2014/15.

Agenda Item No: 7

Report To: **AUDIT COMMITTEE**

Date: **30 June 2015**

Report Title: **2014/2015 Annual Governance Statement**

Report Author: Nicholas Clayton, Policy and Performance Officer



Summary:

Each year the Council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members residents, and external stakeholders the Council's approach to governance and show how the Council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the Council's arrangements.

The AGS must be published alongside the Council's formal audited financial statements, though need not be agreed at the same time. The full financial statement and the auditor's findings and proposed opinion will be considered by the committee in September. It is after that when the AGS is published along with the accounts.

This year's AGS builds on previous statements, providing updated information where needed.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they evolve. Their various components are subject to ongoing development, with principal developments summarised in the AGS.

Work to review significant governance issues highlighted last year progressed well. Following input from the Leader and others there are further developments needed and these are highlighted at the end of the draft.

In conclusion governance arrangements remain appropriate, effective and adaptive to change as circumstances dictate.

Key Decision: NO

Affected Wards: None in particular

Recommendations: **The Audit Committee is asked to consider the draft**

2014/2015 Annual Governance Statement and approve this to be signed by the Leader and Chief Executive as required by regulations.

Policy Overview: Good standards of corporate governance are essential in all organisations. The Council's arrangements are longstanding, well-developed and continue to be effective, but adaptive to change in local circumstances. The Council updated its Local Code of Corporate Governance during 2014, building upon the best practice framework of CIPFA and SOLACE. Our governance arrangements are generally regarded as strong and more so for the direction set by the Cabinet's adopted corporate business plan, Focus 2013/15, and associated frameworks and policies.

Financial Implications: None

Equalities Impact Assessment Not applicable for this report

Other Material Implications: None

Background Papers: None

Contacts: Nicholas.clayton@ashford.gov.uk 01233 330208

2014/2015 Annual Governance Statement

Leader's introduction

This year continues our new style of Annual Governance Statement which, I am pleased to say, has been well received and declared to be “eminently readable”. I hope that it will encourage bigger audiences, lead to a greater understanding of local government and the way it works ... and to continue to maintain the trust of our communities.

This Statement outlines the context of, and the relationship between, leadership and good governance. As a forward-thinking organisation we recognise the need to strive for continuous improvement. That is why we recently undertook a borough-wide survey of residents to check that our priorities are right, making sure that those who receive our services remain happy with them and our borough.

We have a Strategic Delivery Board to look after the delivery of those projects which are both key to the borough and which rely on us working in concert with our partners. By regularly reviewing and monitoring progress of those projects we ensure that both private and public resources are put to best use in their delivery.

The May 2015 election not only saw an intake of new Members, but also a refreshed Cabinet team. Alongside continuing the programme of lead members providing continuity and wider inclusivity within the Council, we have produced a single practical guide - ‘A Framework’ - which introduces all Councillors to the fundamental structures, services and governance of the organisation. This will help Councillors to quickly settle in to their role representing Ashford Borough and the Council. Officers and Members are currently compiling the information to underpin a new corporate plan, with the intention that it is agreed by Cabinet and Full Council over the coming months.

We have streamlined the number of task groups and committees which work under the Cabinet, and taken steps to make sure that scrutiny operates in a manner akin to a Government Select Committee – concentrating its efforts on key areas to make sure our services remain effective. Alongside a new task group for policy and compliance, such measures will further strengthen our governance and enforcement - ensuring that governance does not stand still but instead evolves with our developing organisational requirements.



Councillor Gerry Clarkson
Leader of the Council

Scope of responsibility

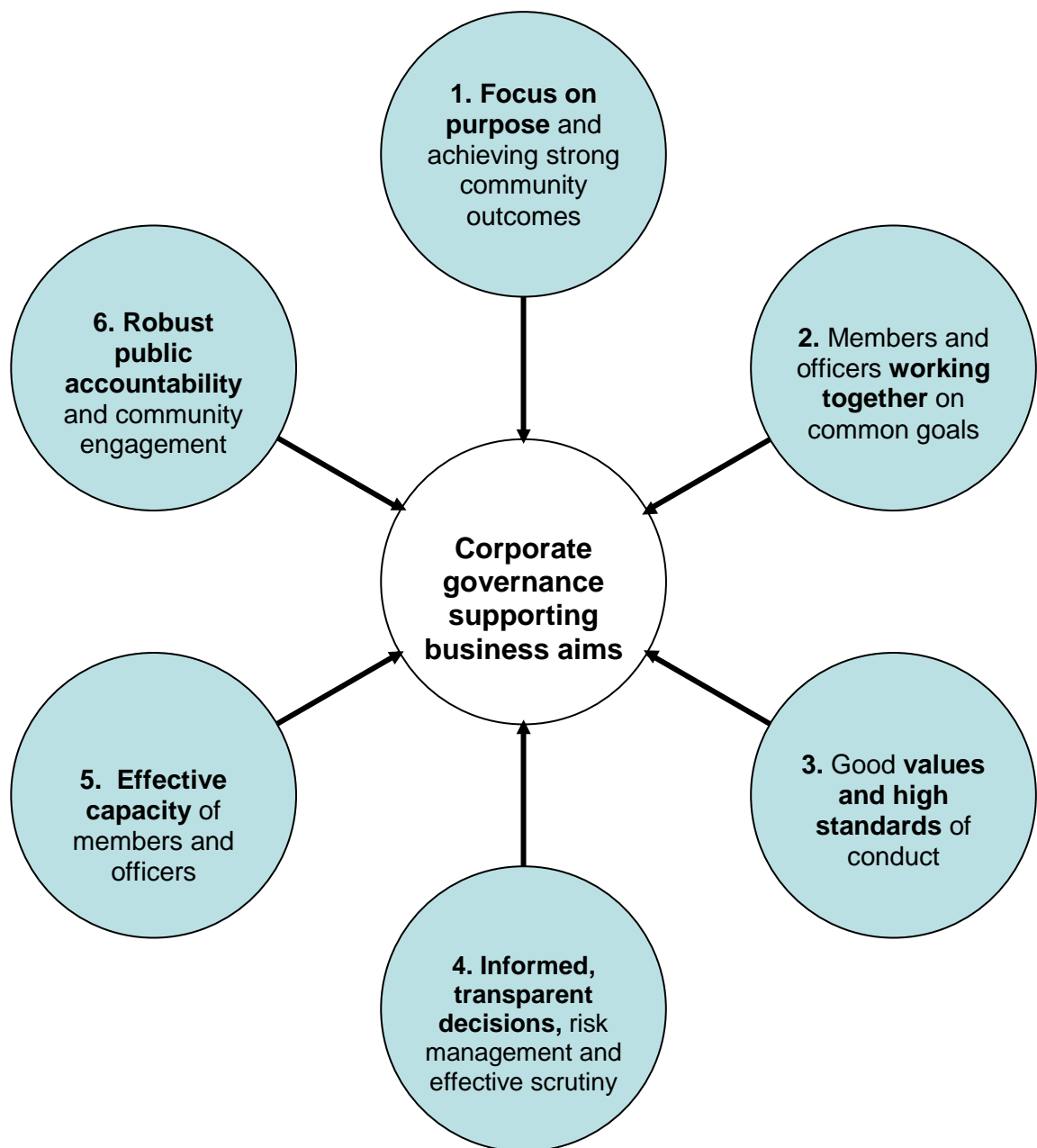
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Furthermore, the Council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the Council gains best value for its residents and taxpayers.
2. Associated with this responsibility is the need for good governance. In 2014 the Council adopted an updated Local Code of Corporate Governance, which followed principles contained in national guidance and produced by CIPFA and SOLACE.
3. In summary terms this Statement explains the Council's governance arrangements, how they have directed decisions and services over the past year, and how the Council has sought assurance that its arrangements remain effective.
4. As governance arrangements must be regularly reviewed to ensure they remain fit for purpose there are changes to arrangements this Statement also reports.
5. Practical progress towards achieving the Council's priorities is made by the delivery of key projects and an important development this year is the set-up of the Ashford Strategic Delivery Board. The Board's remit is to ensure the effective and timely delivery of key projects and is a multi-agency group whose membership includes ABC and KCC Members, Ashford's MP and other key partners. Board agendas, minutes and the project programme are submitted to Cabinet and are made available on the Council's web site.

Purpose of our governance framework

6. Governance is a permanent but evolving feature of the Council's work. It is designed to ensure members' and officers' roles in decision-making on policies and other matters are fair and transparent. Further the framework helps to ensure the Council's business complies with relevant laws and regulations, and is directed by a clear focus on achieving important issues, including identifying and managing risks.
7. Governance is more than just a set of rules, and comprises:
 - The leadership and cultural values, systems and constitutional processes by which the Council's work is directed and controlled
 - The ways through which the Council engages with, leads and accounts to citizens individually and its community collectively.
8. Our governance therefore helps the Council to understand progress and make comparison with others. It serves also to reduce exposure to material risks and protect the Council when problems do occur.

9. As a public body transparency is crucial. Good governance inspires public confidence. It provides the basis for public assurance that Council decisions are taken for the right reasons, that quality of service is protected as far as is reasonable, and that public money is wisely and effectively spent. In these times of tight resources and uncertain economic conditions, risks are more obvious. Our governance helps to focus on key controls and those risks considered more critical to achieving the Council's strategic goals.

Our six core principles for good corporate governance



Principle 1 – Focus on purpose and achieving strong community outcomes

“[We] should seek to engender an ambitious attitude...associated with quality housing growth coupled with real economic activity”¹

10. The five-year business plan provided a focus for the Council's services during 2011-2015, following extensive public consultation. Because of developments in both the wider economy and locally, and changes to how government financially supports and incentivises councils, a further strategic refocusing was undertaken at the mid-way point of the business plan - setting out the Council's objectives and priorities for 2013 -2015. To this end, a Corporate Business Plan, *Focus 2013/15*, took stock of the organisation's achievements to date and identified a number of refocused priorities (underpinned by strategic projects).
11. Focus 2013/15 was reported to, and approved by, Cabinet as part of the budget report in October 2013. This is publicly available from the Council's website and was also subject to regular scrutiny through the Overview and Scrutiny Committee.
12. For staff, various internal communications are used to promote awareness of the organisation's overarching priorities, including the on-line monthly staff magazine, Root and Branch, and the Chief Executive's periodic 'walk about' briefings.
13. An Annual Report was published in June 2014, with the intention to continue to update and publish the report soon after the end of each financial year. The report further communicates the Council's aims and progress to residents and key stakeholders, summarises the Council's achievements throughout the year against those corporate priorities set out in Focus 2013/15.
14. The Ashford Strategic Delivery Board ensures effective and timely delivery of key projects. Continued progress towards key actions is monitored by the Strategic Co-ordination Team whose membership comprises high level officers from all stakeholder organisations. Quarterly updates are reported on progress towards key actions and a traffic light system is used to highlight areas of concern.
15. Following the May 2015 election, a new corporate plan is required. Officers and Members are currently compiling the information to underpin such a document, with the intention that it is agreed by Cabinet and Full Council over the coming months.

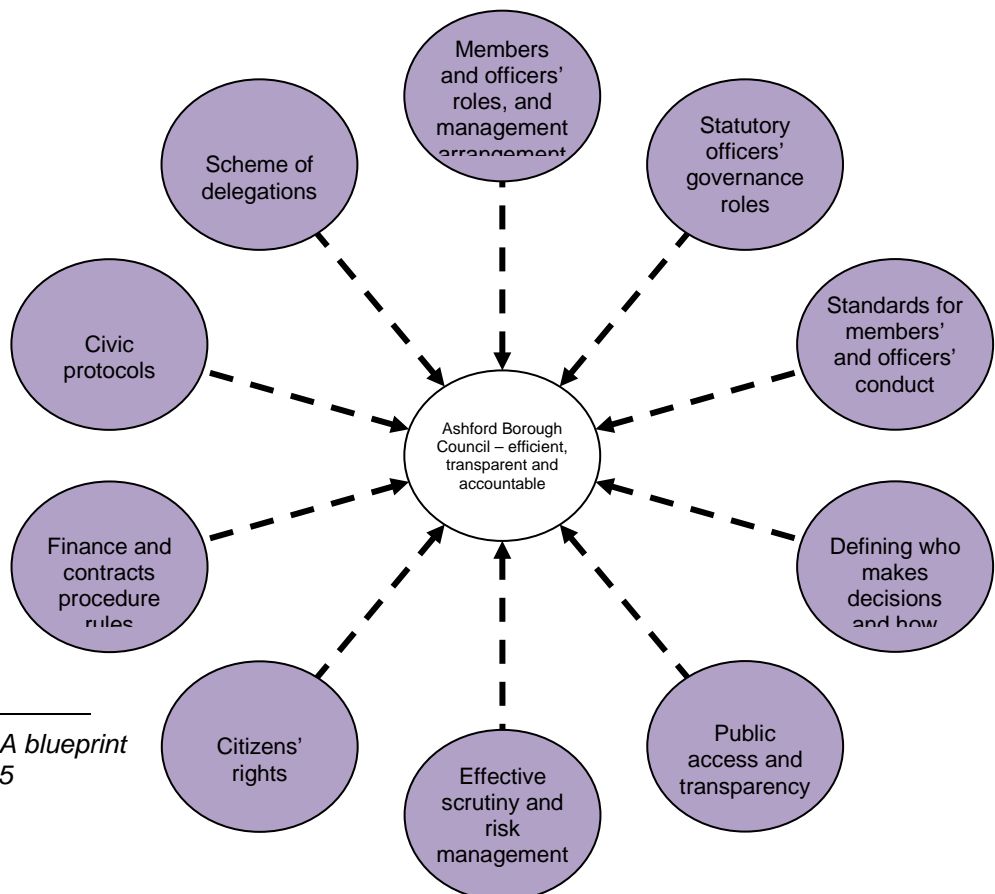
¹ *“The AshFORD Model: A blueprint for integrated growth”, p.3*

Principle 2 – Members and officers working together on common goals

“Ashford Borough Council has a pro-growth culture, which is driven from the very top – with a vision shared by politicians and officers alike.”²

16. As a statutory body the Council's structures for decision-making, its rules and its processes are influenced by legislation and associated regulatory needs. A fundamental part of our governance, therefore, is our Constitution. An important aim of the Constitution is to reinforce the principle of members and officers working together, and in partnership with others, to achieve common goals.
17. The Constitution is a legal requirement and sets out how the Council runs, how it should make decisions and the guidance it should follow to ensure these are efficient, transparent and accountable to local people. Some of these processes are needed by law, while others were chosen by the Council.
18. It has several chapters, which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are set out in accompanying rules and protocols.
19. Parts of the Constitution are periodically reviewed by a committee to ensure the Council's arrangements remain relevant. Thus changes are made as necessary to ensure our arrangements support effective performance of our responsibilities to residents and taxpayers, whilst fully supporting effective achievement of the Council's aims.

The Constitution's principal features



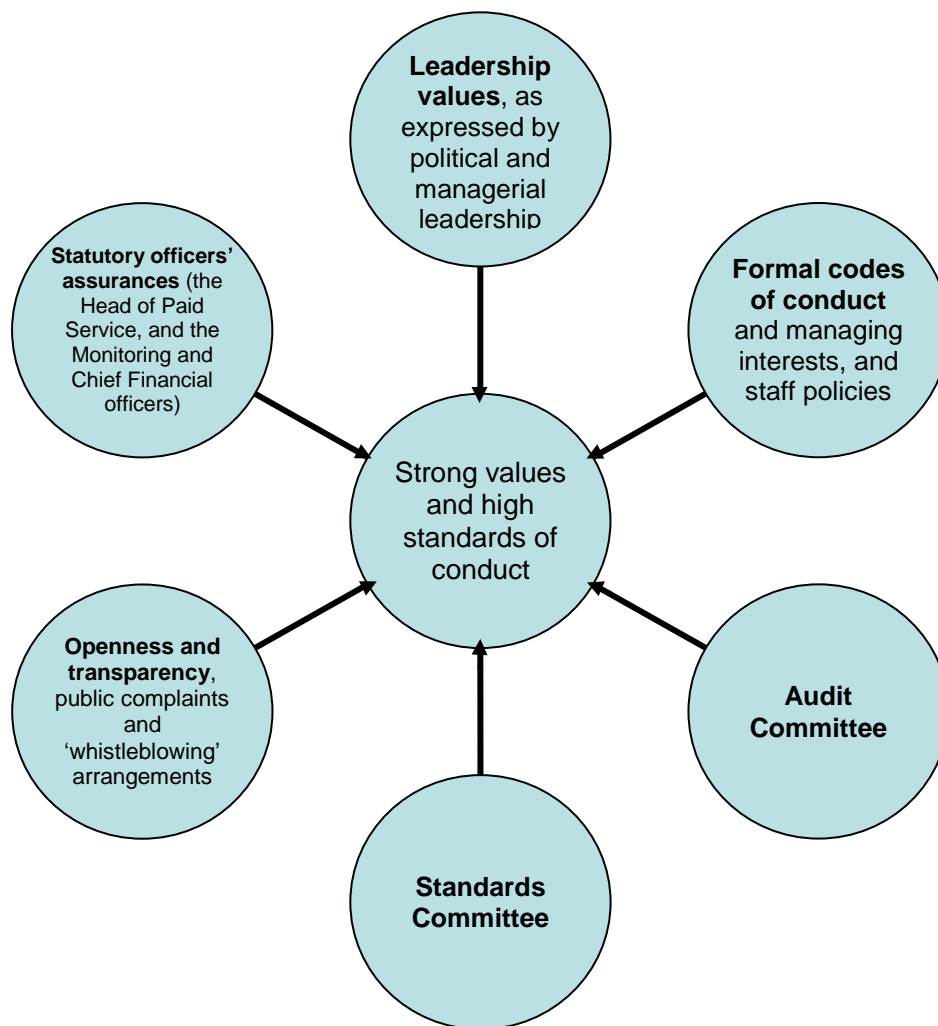
² *“The AshFORD Model: A blueprint for integrated growth”, p.5*

20. The most effective way to deliver efficient and cost effective services is for officers and members to work together with our partners to agree and achieve a common goal. A number of working groups comprising officers and members have met during the year to steer and monitor progress of high profile projects and service delivery. All working groups have clear objectives which are set out in a terms of reference.
21. The creation of the Trading Enterprise Board (A sub-committee of Cabinet) and the Ashford Strategic Delivery Board are good examples of the Council's intention for members and officers to work collaboratively to deliver strategic priorities.
22. At the meeting of the Cabinet held on 11th February 2015, consideration was given to the report of the Overview and Scrutiny Committee in respect of Neighbourhood Plans and task groups. The Overview and Scrutiny Committee had discussed the number of task groups, their effectiveness and overlap with the work of other Council Committees. The Committee recommended that the Cabinet institute an examination of the uses and efficiency of Task Groups and to also review their effectiveness.
23. The Cabinet resolved that the uses and efficiency of Task Groups be reviewed. Accordingly, the Leader undertook a review, in consultation with Portfolio Holders and Management Team, to rationalise these groups. 22 task groups would be disbanded, with 12 continuing or being constituted alongside a number of others requiring determination of political balance by the Selection and Constitutional Review Committee.
24. To facilitate the establishment of task groups, working groups, steering groups or other forums by the Cabinet, it was also proposed that the Constitution to be amended to incorporate a process to be followed in terms of the creation of such Groups. This process affords Cabinet the responsibility for forming such groups, approving their terms of reference and determining their membership and chairmanship.
25. A new Cabinet reporting process, introduced last year to underpin the principle above, continues to provide greater involvement for Portfolio Holders and discussion with officers in the production of cabinet reports.

Principle 3 – Good values and high standards of conduct

“Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership.”³

26. Aside from the Constitution, the Council promotes strong values and expectations of high standards in a variety of ways. The Code of Conduct for members is subject to on-going review and declarations of pecuniary interest for all members have been made available on the Council’s website. Aside from these the Council enforces the management of its expectations through various channels. The principal components are set out in the following diagram.



³ *The principles of public life*, in "What to expect as an Ashford Borough Council Councillor", A Framework – Document for elected members, p.9

27. To respond to the particular challenge of introducing new councillors quickly and effectively into the governance framework, the Council produced 'A Framework – Documents for elected members' to coincide with the May 2015 elections. This document provides an introduction, and comprehensive overview, of how the Council operates - to help new members assimilate quickly into their role as councillors – helping them to understand the standards required of them (whilst serving as a useful guide to others). This sits alongside a comprehensive programme of Member induction planned over the next few months.
28. During the past year the Council adopted (following endorsement by the Audit Committee) a suite of updated policies which, when taken together, reviewed and strengthened the Council's approach to tackling fraud, corruption and money-laundering - whilst providing a framework for officers to speak up about concerns they might have regarding the organisation.
29. There will be an increased focus on enforcement through a new Policy and Compliance Taskgroup, which will focus on strengthening the enforcement of good governance through effective and transparent application of Council policy and procedure.

Principle 4 – informed and transparent decisions, risk management, and effective scrutiny

"Our pragmatic approach to risk...thinking is being critically challenged by empirical examination of the resulting outputs and adjusted accordingly."⁴

30. The Full Council is the ultimate place for decision-making, particularly on new policy and the annual budget, but many other decisions by law are for the Cabinet to take. Our arrangements are all covered by the Constitution.
31. The Cabinet and other decision-making committees are held in public in an open style and through our public participation scheme members of the public can ask questions or present petitions. The Overview and Scrutiny Committee has, as one of its roles, the ability to hold the Cabinet to account for its decisions. In October 2014 the Selection and Constitutional Review Committee approved proposals to enact the Openness of Local Government Bodies Regulations – giving the public the right to film, audio record, take photographs and use social media and the internet at public meetings to report on the discussions held.
32. In May 2015 the Selection and Constitutional Review Committee agreed a proposal to reduce the membership of the Overview and Scrutiny Committee from 16 Members to 12 Members. It is hoped that this change will enable the Committee to operate more akin to the Government Select Committee

⁴ "The AshFORD Model: A blueprint for integrated growth", p.3

arrangements when undertaking their scrutiny role.

33. All member decisions across the formal and democratic decision-making process are published under statutory requirements. There is a presumption that information and decisions are taken in public, but occasionally (under access to information regulations) some information is regarded as 'exempt' and not published. However, the Council aims as far as is possible to keep this type of information and decision to the minimum.
34. The Council has continued its commitment to transparency and meeting relevant legislative requirements. Wherever possible, information is made readily available to the public through the 'transparency' section of the Council's website. The Council is responding to incorporate fully the requirements of the Transparency Code 2015, further increasing the breadth and depth of information provided to the public on the services provided by the authority.
35. Our approach to risk management at the strategic level is solid, with a focus on exploring ways of making it more effective. Whilst risks to business plan project delivery remain routinely considered by the management team (and covered in briefings to cabinet members), work is currently ongoing to take a broader look at the Council's approach to risk management.
36. The requirement for a relevant procurement strategy was highlighted as an area for review last year. A procurement strategy is now in place and a corporate procurement role has been established. These developments will promote effective procurement across the Council using innovative, transparent and consistent procurement methods. This approach was ratified by Cabinet in October 2013, whilst new Contract Procedure Rules were adopted in early 2015 which will seek to encourage more local interest in procurement.

Principle 5 – effective capacity of members and officers

*"It is important we have skilled officers and members...in disciplines across the Council."*⁵

37. The Council is committed to identifying and fulfilling the learning and development needs of members and officers. As community leaders, it is vital that our councillors are supported to be as effective as possible. Members' training needs are considered through a Member Training Panel. These needs are recognised as an important issue to develop and the issue is recognised as one of our strategic risks. Focusing on this is particularly important given the changes in external influences (the results of economic

⁵ "The AshFORD Model: A blueprint for integrated growth", p.5

factors and government policies) and the breadth and complexity of some issues facing the Council and its members. A number of training and briefing sessions have been delivered during the year and these are detailed in a report to Cabinet each year by the Member Training Panel.

38. Following the May 2015 election there has been a re-organisation of Portfolio Holder responsibilities and duties to more closely align them to the organisational structure of the Council, clarifying their remit whilst strengthening the organisational understanding of their role in relation to good governance. Lead Members also continue to provide continuity and wider inclusivity alongside each Portfolio.
39. This year has also seen the continuation of forward planning sessions for Cabinet members. Facilitated by senior managers, these sessions keep members informed and updated on current strategic issues in order to develop their capacity and effectiveness in informing the strategic direction of the authority. Regular Leader's briefings on relevant strategic issues and topics of interest given to all members aim to inform them about important and interesting matters happening in the Borough. These briefings have been widened to include distribution to key external stakeholders, including Parish Council and Urban Forum representatives.
40. For staff the past year has seen a particular focus on leadership and management development, as part of our ongoing workforce development programme. We as a Council committed to good standards of staff development, and our supporting policies and processes have helped maintain high standards of professionalism in our staff. Following wide consultation with staff to align with the changing direction of the Council, a refreshed Competency Framework was agreed during the year. This sets out the key staff behaviours which if demonstrated will contribute to the success of the Council's long-term aspirations. It is used for recruitment and selection, learning and development and performance management including annual appraisals.
41. The Council has a good track record of introducing new approaches to resolve service issues and achieve stronger outcomes. However, management recognises that in these even more challenging times we need a greater focus and agility to manage transformations to deliver positive change outcomes. Whilst operating a balanced budget and Medium Term Financial Plan the Council has taken the proactive decision to increase capacity in some key areas to take advantage of opportunities, increased engagement with partners outside traditional sphere, and as a result of increased priority project work.
42. In this respect we are developing our staff commitment and skills, and adopting new ways to develop more entrepreneurial approaches. The two Council controlled companies have delivered successfully this year and are governed and monitored by the Trading and Enterprise Board, a committee of the Cabinet. The TEB also reviews and manages any significant identified

risks of the companies and considers new business initiatives.

Principle 6 – robust public accountability and community engagement

“Engagement with our residents and businesses must be genuine, really listening to the hopes – and the fears – of our public .”⁶

43. Building on from the initial ‘Have Your Say’ borough-wide consultation in 2010-2011, the Council has continued to develop and improve its engagement arrangements.
44. During 2014 the Council embarked on a borough-wide residents’ satisfaction survey to check progress against its priorities. This not only checked progress against the Council’s business plans with residents, but also increased the body of local intelligence available to the organisation in its priority initiatives.
45. Consultation and engagement with residents and communities on a number of issues and projects continues in a number of ways, including:
 - Chilmington Green development – extensive community engagement in order to inform existing communities of development plans and to seek their views on proposals.
 - Repton Community Development – extensive consultation and stakeholder engagement in order to inform the services required from, and the shape of, the community facility.
 - Continued extensive consultation through ‘Plan it’ to inform the local plan and further consultations regarding site submissions
 - Quarterly parish forums, of which urban community forums are full members.
46. The Annual Report introduced last year provides a user friendly and easy to read document which ensures residents, partners and stakeholders are informed of achievements made by the Council and its key partners during the year, progress against the Councils key priorities and the projects underpinning them. A financial summary is also included.
47. As noted above, the Council’s transparency arrangements were also strengthened during the year – in line with new government requirements.

⁶ “The AshFORD Model: A blueprint for integrated growth”, p.5

Is the framework effective?

How we receive assurances

48. Each year the Council has responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control. The principal components on which the review relies are summarised in the diagram below, with inputs occurring over the course of the year. Comments about each component are set out below.



Members/The Leader	During the course of the year the Cabinet, the Selection and Constitutional Review Committee and other committees at various times made appropriate decisions to evolve our governance arrangements.
Management	Management team has particularly maintained an organisational focus on implementing the business plan and budget, and both have proceeded well and effectively. This has been achieved whilst ensuring effective capacity, adjusted where necessary. Staff policies have been reviewed and adjusted to ensure they remain fit for purpose, and a very effective senior leadership programme has been implemented.

External Audit	<p>A positive assurance to the Council was received through the auditor's 2013-2014 Annual Audit Letter presented in December 2014.</p> <p>The letter gave an unqualified opinion on the accounts, an unqualified opinion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and an unqualified opinion on the Council's Whole of Government Accounts submission</p>
Internal Audit	<p>A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The principal objective of the service is to examine and evaluate the adequacy of internal control within the Council's various systems, procedures and processes. The results of internal audit's work provide an opinion on the overall effectiveness of the governance framework, including arrangements for risk management and internal control.</p> <p>Our internal audit service, provided through the Mid Kent partnership was assessed in April 2015 by the Institute of Internal Auditors as being fully confirming with Public Sector Internal Audit Standards. Mid Kent Audit is the first audit team in the country to be so assessed by the Institute.</p> <p>The Head of Audit Partnership provided his 2014/15 interim report to the Audit Committee in December 2014, with a full report to be received by the June Committee. This report provided assurance that the system of internal control at the Council for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.</p> <p>Regarding the Council's governance arrangements, the report concludes that the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.</p>
Overview and Scrutiny Committee	<p>The Committee carried out a full programme of review work, including a 'call-in' of a Cabinet decision. Its work, summarised in the committee's Annual Report to the Full Council, included an effective programme of budget scrutiny, quarterly scrutiny of Council performance, and reviews on fly-tipping, the Housing Framework 2013-18, the Portas Pilot project and the Community Safety Partnership. Accordingly, its work has maintained the committee's role in contributing to reviewing and developing the effectiveness of the Council's governance.</p>

Audit Committee	<p>The Committee completed a full programme during 2014/15, the details of which are contained within the Audit Committee Annual Report.</p> <p>The Committee also sought to maintain and update its knowledge by commissioning a series of briefings on areas of current interest, taking place immediately before each meeting and open to all Members. During 2014/15 these briefings covered:</p> <ul style="list-style-type: none"> • Risk Management (June 2014) • Business Rates Localisation and Appeals (September 2014) • Procurement (December 2014) • Counter Fraud (March 2015)
Statutory Officers	<p>Both the Monitoring Officer (Head of Legal and Democratic Services) and the Chief Financial Officer – Section 151 Officer (Deputy Chief Executive) report they consider their respective statutory responsibilities for providing assurance are well-supported by appropriate capacity and organisational arrangements. In particular, the Council is satisfied that its arrangements for the Chief Financial Officer (CFO) allow the role to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2010 Statement on the role of the CFO in local government.</p>
Residents	<p>The past year saw a borough-wide survey of residents to check their satisfaction with the borough and local services, and to gather insight into their outlook for the future. We have maintained well-developed complaints and feedback arrangements, and central co-ordination of handling matters referred by residents from time-to-time to the local government ombudsman.</p>

Areas of significant governance for review

49. Following on from the above the following areas of review are highlighted:

- a) The need for the Cabinet to agree a new corporate plan in Autumn 2015.
- b) Completion of work reviewing the Council's current risk management procedures.

Conclusion

50. This full Statement has taken account of the CIPFA/SOLACE 'proper practice' statutory guidance (Delivering Good Governance in Local Government) and has set out a summary of the Council's governance framework and directly addressed the issue of its effectiveness. Generally these arrangements work well for the Council and allow it to uphold good standards of accountability and effectiveness. As can be anticipated in times that are particularly challenging for all Councils there is a need to ensure that our arrangements continue to evolve so they remain fit for purpose. This is the aim of the two issues highlighted in the previous section in which the Cabinet, the Audit Committee and all members and management will take an interest over the coming months.



Cllr Gerry Clarkson
Leader of the Council



John Bunnett
Chief Executive

Agenda Item No: 8

Report To: **AUDIT COMMITTEE**

Date: **30 June 2015**

Report Title: **2014/2015 Financial Statements - Letters of Assurance to External Auditors**

Report Author: Paul Naylor



Summary:	Each year in support of the external audit of the council's financial statements, it is necessary to provide two assurance letters to the auditors. These are important statements on which the auditors rely for their opinion work. The two completed letters are attached. One is from the chairman on behalf of the committee. The second is from the Deputy Chief Executive on behalf of management. They cover similar points to assurance letters in the past, and have already been shared in draft with our auditors. They cover assurances relating to such matters as disclosures of material facts affecting the statements, fraud, contingent liabilities and legal issues affecting the statements
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Key Decision: NO

Affected Wards: NA

Recommendations: **The Committee is asked to:-
endorse the Chairman's and Management's
2014/2015 Assurance Letters**

Policy Overview: The assurance forms an important part of the financial statements disclosure process and the maintenance of the council's governance.

Financial Implications: NA

Risk Assessment NA

Equalities Impact Assessment NA

Other Material Implications: NA

Background Papers: NA

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Councillor John Link

Ask For: John Link
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Lisa Robertson
Senior Manager
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Date: 23 June 2015

Dear Lisa,

Ashford Borough Council Financial Statements for the year ended 31 March 2015 – understanding how the Audit Committee gains assurance from management

I refer to your letter of 24 February 2015 to the former chairman of the Audit Committee, Councillor Paul Clokie, in which you ask for responses to a number of assurance questions for the purposes of your audit of the 2014-2015 financial statements. I am replying as the new chairman of the committee, previously having been the Vice Chairman; Councillor Clokie has taken up a cabinet member position.

This letter and the accompanying management assurance letter from the Deputy Chief Executive are to be reported to the Audit Committee on 30 June when the committee will be asked to formally approve this letter of assurance.

You raised five questions in your letter which I will now address.

On questions 1 and 3, I am satisfied the management response presents a good and accurate summary of assurance on:

- the financial statements,
- internal controls,
- managing fraud risk,
- business practice and ethics, and
- our compliance with law and regulations.

You will be aware the committee received various reports on these issues throughout last year. As you are aware our approach to risk management was reviewed a year ago and I anticipate the committee will consider the outcome of that review in September.

On question 2, neither I nor the previous chairman have any knowledge of actual, suspected nor alleged frauds, besides the updates to the committee of the work by our fraud investigation team which has a principal focus on fraud in areas such as council tax, housing benefit and housing tenancies.

On question 4, there are no other issues I am aware of beyond the disclosure included in the management assurance letter, concerning settlement of legal proceedings brought by Personal Local Search Companies, and a disclosure made in the draft financial statements concerning protective claims by the council regarding VAT on off street parking income. The latter are longstanding legal claims that are being pursued by a number of councils and are subject to appeal by HM Revenues and Customs.

On question 5, the Committee last considered the 'going concern' principle in March when it received a report covering accounting principles more generally as part of the preparatory work for the financial statements. The Committee supported then and will continue to support the going concern principle based on the council's statutory position, its legal and financial arrangements, and its current and longer term financial prospects as reported at various times each year to members of the council.

I trust this response will be adequate for your audit purposes, but please do not hesitate to contact me should any point need further clarification.

Yours sincerely

Councillor John Link
Chairman of the Audit Committee

Paul Naylor
Chief Financial Officer & Section 151 Officer
Ashford Borough Council
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Kent TN23 1PL

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24 February 2015

Dear Paul,

Audit of Ashford Borough Council financial statements for the year end 31 March 2015

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document management's view on some key areas affecting the financial statements

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we also will need to gain an understanding of how the Audit Committee maintains oversight of the above processes. I have also enclosed a copy of the letter that I intend to send to the Chair of the Audit Committee, for your information.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

We would be grateful if you could provide a response by 30 June 2015. You may find it useful to co-ordinate both the Audit Committee and management responses to our letters in time for discussion at that the June Audit Committee meeting.

Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Lisa Robertson
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Responses from Management:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2014/15?	<p>In April 2014 the Council has completed the purchase of International House.</p> <p>In May 2015 the Council completed the purchase of the long leasehold of Unit 1 Park Mall and is in advanced stages of purchasing a long leasehold interest in the Park Mall shopping centre. This non adjusting post-balance sheet event will have an impact on the net worth of the council going forward.</p>
Have you considered the appropriateness of the accounting policies adopted by the Trust? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes – a report detailing the findings of the review was presented the Audit Committee in March 2015.
Are you aware of any changes to the Councils regulatory environment that may have a significant impact on the Council's financial statements?	The General Election in May and consequential change in government policy has the potential to have an impact on the council's financial statements. However until the results are known and policy announcements made this cannot be fully assessed.
How would you assess the quality of the Council's internal control processes?	Broadly, the manner in which the Council assesses the quality of its internal control processes is as described within the Annual Governance Statement. This draws upon a range of sources, including Head of Internal Audit reports, Management oversight, residents' feedback, Member reviews as well as information provided by external audit. This information is considered as a continuing exercise by the management team for its commentary on the efficacy of internal controls both in design and operation.
How would you assess the process for reviewing the effectiveness of internal control?	The overall process is as described in the above response. During 2015/16 no significant matters have arisen through the operation of this assessment that have served to cause doubt in the minds of management as to the effectiveness of internal control.
How do the Council's risk management processes link to financial reporting?	Risk management is an inherent part of the work of members, the management team, service managers, and line managers. We have an established risk management process, recently reviewed, that focuses on strategic and service risks and instils a good discipline and culture that is risk aware. These processes link to financial reporting in various ways. Strategic financial risks – the overall financial position, and financial risk associated with key strategic projects – are handled through various reporting processes,

Auditor question	Response
	<p>including the financial planning processes (this also includes the formal scrutiny stage), and the preparation of business plans and reports to members that take forward our key projects, and the risk register itself (reported to and owned by the Audit Committee). For major projects a governance framework exists (the Ashford Strategic Delivery Board) that monitors and discusses progress, including key financial issues and risks and the management of these. Note this is not a decision-making board separate from the council.</p> <p>The statutory financial statements are informed by all of these various processes and where necessary disclosures are made.</p>
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	Our arrangements are strong, both in terms of the capacity we have and in policy and procedural terms.
What has been the outcome of these arrangements so far this year?	<p>An annual report is prepared and submitted to the Audit Committee, the report summarises the scope of activity covered over a year and the outcomes achieved. The next report is due to be reported to the June Audit Committee, the data is currently being compiled.</p> <p>Fraud within the council is rare, but from time to time an issue can arise. Our arrangements deal with any alleged fraud through a thorough investigation approach as any allegation must be carefully investigated to reach a proper conclusion. In cases that may give rise to potential criminal fraud, a referral would be made to the police. Our sanction protocols deal firmly with any fraud that is established.</p> <p>Our routine counter-fraud work focuses on housing benefit, council tax support, and housing tenancy fraud, but the scope is widening to cover other corporate fraud risks.</p> <p>As the council places some emphasis on providing public assurance that our counter fraud work is given publicity through the local media. This has assisted in developing reputation as a council that is proactive in counter-fraud work.</p>
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>The Council manages Housing Benefit claims for circa 10,000 claimants and they are covered within the scope of work by the Fraud investigation team.</p> <p>The Council offers a number of Council Tax discounts to residents and there is scope for</p>

Auditor question	Response
	<p>fraud in this area. The counter fraud team now routinely scrutinise single person discounts claims using a third party service, building on large scale periodic reviews in the past. With council tax yield being important to the borough council and the other major preceptors there is a joint agreement in place that supports this focus.</p> <p>The Council lets circa 5,000 properties and there is a risk of tenancy fraud. This is another area of routine activity for the counter fraud team, with investigation work resulting in some positive outcomes for the HRA that helps to manage this risk.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Head of Internal Audit is a designated officer as per the Council's whistleblowing policy to receive disclosures made through that policy. During 2015/16 he has received no such disclosures nor been made aware or discovered through completion of the audit plan or general enquiry any circumstances that lead him to believe such a disclosure is imminent or under consideration.</p> <p>The Council's Monitoring Officer also confirms no such disclosures have been received and he is not aware of any which are imminent or under consideration.</p>
<p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Councils strategic risk register is routinely reported to the Audit committee.</p> <p>Risks on major projects are routinely reviewed by the Ashford Strategic Delivery Board as part of the regular reporting process.</p> <p>Committee reports have sections for risk assessments to allow individual project risks to be reported through to members.</p>
<p>As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?</p>	<p>We use a number of means including: induction for new employees, the availability through the intranet of expected standards and internal policies (including emphasis on staff conduct), the Chief Executive's personal 'walkabouts' to services to brief on important issues and progress against important plans, our leadership and management development programmes, and our regular staff appraisal processes.</p>
<p>What are your policies and procedures for identifying, assessing and accounting for litigation and claims?</p>	<p>As part of the closing process we write to the Monitoring Officer to identify what litigation the Council has engaged in and to open a discussion about accounting for these cases.</p>

Auditor question	Response
Is there any use of financial instruments, including derivatives?	<p>The Council uses pooled investment funds such as money market funds and a property fund and has purchased a corporate bond.</p> <p>The Council has a PFI contract that has a lease embedded into it and is accounted for accordingly.</p>
Are you aware of any significant transaction outside the normal course of business?	<p>In April 2014 the Council completed the purchase of International House £7.7m.</p> <p>Throughout the year the Council has been refurbishing one of its sheltered accommodation schemes, this major capital scheme has resulting in capital expenditure of £3.4m</p>
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	Yes – the Council has given a financial guarantee to Ashford Leisure trust for pensions costs and termination costs, the details of which are disclosed as a contingent liability.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	<p>On benefit fraud we have arrangements that allow residents and others to inform the council anonymously should they have any information that needs to be investigated; these arrangements are used and information is followed up.</p> <p>Occasionally allegations of a general nature relating to benefit fraud are made at public council meetings, when a reminder is given that information will be followed up confidentially if specific information is provided.</p>
Are you aware of any instances of non-compliance with laws or regulations or is the Trust's on notice of any such possible instances of non-compliance?	The Council has settled proceedings brought by Personal Local Search Companies for refunds of fees and will shortly settle further similar proceedings. These are part of a nationwide series of actions by companies against all local authorities as a result of a misinterpretation by government on environmental information disclosure and charging. Further similar proceedings could be taken by other search companies
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	<p>The Council has been inspected by HMRC for VAT compliance – the inspection highlighted some issues which have been addressed.</p> <p>The Council has settled proceedings brought by a group of Property Search Companies for refunds of fees. This is part of a nationwide, series of actions by these companies against virtually all local authorities. Further similar proceedings may be taken by other companies.</p>

Auditor question	Response
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	<p>Note 4 of the Financial statement details of these items, in summary the main areas are:</p> <ul style="list-style-type: none"> • Pensions – the accounts include an estimate on the pensions liabilities • NNDR appeals – an estimate has been made to provide for liabilities relating to NNDR appeals. • The accounting treatment of the PFI scheme is based upon a financial model that includes a number of estimates on future costs.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	See note 4 of the statement, there is a draft of the note appended to this document.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Are you aware of any reports having been made by the Trust under the Bribery Act during the last year?	<p>The Head of Internal Audit is a designated officer as the Council's counter fraud policy to receive disclosures made under the Bribery Act. During 2015/16 he has received no such disclosures nor been made aware or discovered through completion of the audit plan or general enquiry any circumstances that lead him to believe such a disclosure is imminent or under consideration. The Council's Monitoring Officer is similarly unaware of any such disclosures or possible disclosures</p>
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	The council has completed a number of Forward planning sessions to discuss the financial strategy of the Authority in the medium term.
Although the public sector interpretation of IAS1 means that unless Local Government services are being transferred out of the public sector then the financial services should be prepared on a going concern basis, management is still required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	<p>The Council has been conducting a number of financial planning exercises with members to identify ways to address the funding challenge in the next 3 years.</p> <p>Given the level of funding cuts that are anticipated this work is necessary to ensure that members and officers develop a coherent strategy to address this risk.</p> <p>All services and cabinet members have been included in this process and consequently it is expected that this will capture service specific issues.</p> <p>Finally the finance and policy teams monitor government announcements for anything that will impact upon the council's business plan.</p>

Auditor question	Response
Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Bevan Brittan have acted for the Council (and most other local authorities) on the land searches litigation.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council has a process that requires the completion of a proforma for all purchases of external advice. These are contained in the exchequer department and will be available for audit to inspect.
Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	

COMPLIANCE AUDIT REPORT

November 2013 v1



Homes &
Communities
Agency

COMPLIANCE AUDIT YEAR 2014

Partnership Name	Ashford BC AHP 2011/15
Partnership ID	11891
Lead Partner Name	Ashford Borough Council
Lead Partner ID	29UB
Date of Audit Visit	12 th Nov. 2014
Date HCA Report Issued	June 2015
Independent Auditor Name	Ibis Ltd- Jonathan Hudson
HCA Lead Auditor Name	Lesley Banfield
List of Audited Schemes	See attached scheme sample report

1	HCA Audit Report: send advance copy to Development Director and Chief Executive	✓
2	HCA Audit Report: send copy five working days after the advance copy to Board Chair, Development Director, and Chief Executive	

CONTENTS	
A	PARTNERSHIP OVERALL AUDIT ASSESSMENT
A1	Overall audit assessment
A2	Developing partner's individual assessment
B	PROCEDURAL ASSESSMENT
B1	Procedural audit summary
C	QUALITY ASSESSMENT
C1	Quality audit summary
D	HCA SIGNATURE
E	LEAD PARTNER SIGNATURE
APPENDICES	
1	PROCEDURAL BREACHES
2	QUALITY AUDIT FINDINGS
3	OBJECTIVES OF COMPLIANCE AUDIT
4	PROCEDURAL GRADES DEFINITIONS
5	QUALITY MEASURES DEFINITIONS

A	PARTNERSHIP OVERALL AUDIT ASSESSMENT
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A 1 Overall audit assessment

Overall it is considered that the Partnership meets requirements and has complied with the guidance as set out within the Capital Funding Guide.

Grade Green

A 2 Developing partner's individual assessment

Partner name	Partner ID	Audit type (Proc/Quality)	HCA assessment
Ashford BC AHP 2011-15	11891	Procedural	Green grade- expectations meets
Ashford BC AHP 2011-15	11891	Quality	Green grade- expectations meets

B	PROCEDURAL ASSESSMENT
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B 1 Procedural audit summary

Number of schemes procedurally audited and number of breaches

Two schemes have been audited. There was one breach from this audit

See Appendix 1 for full details.

Procedural Recommendations

Any proposed variations to the contract i.e. the rents to be charged as shown on IMS, and any other changes to information of the scheme on IMS, are to be reported to the HCA in advance. No changes to the contract and the information recorded on IMS are allowed without the express agreement of the HCA.

C**QUALITY ASSESSMENT****C 1 Quality audit summary****Number of schemes quality audited and key findings**

One scheme has been quality audited. The key findings were;

A successful redevelopment of an old garage site, which had previously suffered from problems of antisocial behaviour. Three new spacious three bedroom five persons homes for rent have been created, built to good space standards and achieving Life Time Homes standard as well as the Code for Sustainable Homes level three.

See Appendix 2 for full details of the quality audit findings.

Quality Recommendations

None

Overall Assessment

Overall it is considered that the Partnership meets expectations and is awarded a **Grade Green**

D	HCA SIGNATURE
<p>This report is confidential between the Homes and Communities Agency and partners within the partnership agreement.</p> <p>The breaches identified in this report should be noted and accepted by the partner/s and remedial action should be taken in accordance with the recommendations within this report to ensure that there is no re-occurrence.</p> <p>The information contained in this report has been compiled purely to assist the Homes and Communities Agency in its statutory duty in relation to the payment of grant to partners.</p> <p>The Homes and Communities Agency accepts no liability whatsoever for the accuracy or completeness of any information contained herewith.</p> <p>The assessment is confidential to the addressee and no third party can place any reliance upon it.</p> <p>Name and Position:</p> <div style="text-align: center; margin: 20px 0;">  </div> <div style="display: flex; justify-content: space-between;"> <div>Signature and Date:</div> <div>June 2015</div> </div>	

E	LEAD PARTNER'S SIGNATURE
<p>The breaches identified in this report have been noted and accepted and remedial action will be taken in accordance with the above recommendations to ensure that there is no re-occurrence.</p> <p>Name and Position:</p> <p>Signature and Date:</p>	

APPENDIX 1	PROCEDURAL BREACHES
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Partner Name	Ashford BC AHP 2011-15
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Partner IMS ID	11891
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Scheme Address	89 Hunter Rd, Willesborough
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Scheme IMS no.	81-614151
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Breach Heading	IMS data
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Breach Type	Incorrect data entered- genuine error
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Breach Severity Measure	Medium
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Comments and Recommendations
<p>1. The Independent Auditor noted; 'the rent shown on IMS is £140.00pw but the unit was let at £131.52 which was the LHA maximum.' Ashford Borough Council subsequently advised; 'the affordable rent was calculated and input to IMS as £140.00pw. It was only at the point that the property was due to be let that our Lettings Officer noted that this was over the Local Housing Allowance rate and would impact on the applicant who was being offered the property as Housing Benefit would not cover the full rent. We therefore agreed to lower the rent to £131.52 which would fall within the LHA rate. We were unaware that we had to report this change to the HCA as we had already submitted final scheme details.'</p> <p>Any changes to the contractual details of funding as recorded on IMS are to be discussed with the HCA in advance and agreed.</p>

APPENDIX 2	QUALITY AUDIT FINDINGS
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Findings identified under each of the four main key headings are listed below.

Partner Name	Ashford Borough Council AHP 2011/15
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Partner IMS ID	11891
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Scheme Address	Arcon Road, Ashford, Kent, TN23 5BY
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Scheme IMS no.	81-607359
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Background
<p>This is a development by a Local Authority on land it already owned, in a residential area of Ashford, where there was a lack of on road parking for existing residents. It consisted of demolition of existing garages where some problems existed due to antisocial behaviour, and construction of three new three bed houses for rent.</p>

1 Resident Satisfaction
The homes were not complete at the time of the quality visit so no resident feedback is reported.
2 Internal Environment
The houses are of a good size and proportion and well exceed the minimum HQI required, in addition the homes achieve Life Time Homes standard.
3 External Environment
An infill development where existing garages had been located and suffered from problems of antisocial behaviour. The new homes follow the existing building line and form of surrounding houses, and have improved the area, previously being run down, and now providing improved surveillance to the area. Additional on street car parking spaces for existing houses had been provided as part of the scheme to help alleviate shortage of parking.
4 Sustainability
The Code for Sustainable Homes level 3 was achieved with a fabric first approach including 'thin joint' block work which reduces air leakage and improves speed of

construction.	
Comments and Recommendations	
A well-received scheme that has improved an old garage site, providing three new homes for rent, built to good space standards with flexible layout. In addition the scheme includes parking for some adjoining homes where previously there was insufficient parking.	
Overall Grade	Green

APPENDIX 3	OBJECTIVES OF COMPLIANCE AUDIT
<p>Compliance Audit visits are made to partners to check compliance with the Homes and Communities Agency's procedures and funding conditions. If you have any queries of the detail of the audit, please refer back to the HCA lead auditor who assessed the audit.</p> <p>If you wish to feedback comments on the methodology of Compliance Audit, please contact:</p> <p><i>Team Leader - Design and Sustainability Homes and Communities Agency London Corporate Office</i></p>	

APPENDIX 4	PROCEDURAL GRADES DEFINITIONS
<p>Grade Green - meets requirements The HCA Audit Report will normally express general satisfaction with a Partner's overall performance. It may also identify areas where minor improvements are required.</p> <p>Grade Amber - fails to meet requirements This grade is given where the Partner fails to meet requirements but no misapplication of public money has occurred. The Partner will be expected to correct the problem(s) in future schemes and current developments where possible, but the problem(s) do not prevent the scheme objectives from being fulfilled. The HCA Audit Report should set out the areas of non compliance and the remedial action required.</p> <p>Grade Red - serious failure to meet requirements This grade is given where there is a serious failure to meet requirements. The serious failures may involve:</p> <ul style="list-style-type: none"> • Misuse of public funds; • A scheme failing materially to meet its objectives; and/or • A range of failures that casts serious doubt over the Partner's competence, for example where there is an on-going trend of Grade Amber failure. 	

APPENDIX 5	QUALITY MEASURES DEFINITIONS
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Quality is reported by reference to resident satisfaction and the core performance standards for internal environment, external environment and sustainability set out in the Design and Quality Standards April 2007.

Resident Satisfaction measure: outcomes of the resident interviews conducted as part of the quality audit on-site assessment.

Internal Environment measure: Internal environments should be comfortable, convenient, and capable of sensibly accommodating the necessary furniture and equipment associated with specific room activities and is suitable for the particular needs of intended user groups.

External Environment measure: The development of new homes should be undertaken in a manner which delivers great places to live, creates well-mixed and integrated communities and provides an appropriate balance between private and public open space.

Sustainability measure: New homes should be designed and constructed in a sustainable manner using products and processes that reduce environmental impact, better adapt to climate change, with lower running costs and incorporating features that enhance the health and well-being of constructors, occupiers and the wider community.

COMPLIANCE AUDIT Scheme Sample Report (Partnerships) for Partnership: Ashford Borough Council AHP Programme 2011/15

Audit Year: 2014

11891

Region: East and South East

Organisation: 29UB Ashford Borough Council

Scheme: 81-607359

Arcon Road,TN23 5BY

Exp Prog: ADP

Status

Final Grant Date: 1/12/2014

Scheme Class: RENT **LA Code:** 251 **Dev Type:** Not Specified **MMC:** ECO Homes:

Grant Amount: 70,788 **Total Scheme Cost:** 517,187 **No of Units:** 3

Audit Type: Target Date

Lesley Banfield (ESE) Overall Audit Status: Scheduled

CSH Ind:Level Three (***)

Quality

Procedural

Scheme: 81-614151

89 Hunter Road,Willesborough,TN24 0RT

Exp Prog: ADP

Status

Final Grant Date: 27/1/2014

Scheme Class: RENT **LA Code:** 251 **Dev Type:** Not Specified **MMC:** ECO Homes:

Grant Amount: 23,102 **Total Scheme Cost:** 165,178 **No of Units:** 1

Audit Type: Target Date

Lesley Banfield (ESE) Overall Audit Status: Scheduled

CSH Ind:Level Two (**)

Procedural

Scheme: 81-620432

18 Riverview,Ashford,TN23 4XH

Exp Prog: ADP

Status

Final Grant Date: 17/3/2014

Scheme Class: RENT **LA Code:** 251 **Dev Type:** Not Specified **MMC:** ECO Homes:

Grant Amount: 23,102 **Total Scheme Cost:** 105,278 **No of Units:** 1

Audit Type: Target Date

Lesley Banfield (ESE) Overall Audit Status: Scheduled

CSH Ind:Level Two (**)

Procedural

Scheme: 81-626903

Christchurch House,1a,Christchurch Rd,TN23 7BX

Exp Prog: ADP

Status

Final Grant Date: 18/8/2014

Scheme Class: RENT **LA Code:** 251 **Dev Type:** Not Specified **MMC:** ECO Homes:
Grant Amount: 150,000 **Total Scheme Cost:** No of Units: 8
Audit Type Target Date
Lesley Banfield (ESE) **Overall Audit Status:** Scheduled
CSH Ind:Not meeting any
Procedural

SCHEME TOTALS FOR ORGANISATION: 29UB Ashford Borough Council
Total Scheme Cost: 787,643 Total Grant Value: 266,992 Total No Of Units: 13

REPORT (PARTNERSHIP) TOTALS *for*
Total Scheme Cost: 787,643 Total Grant Value: 266,992 Total No Of Units: 13
Ashford Borough Council AHP Programme 2011/15

Agenda Item No: 10

Report To: **AUDIT COMMITTEE**

Date: **30 June 2015**

Report Title: **Future of local public audit – Update (for information)**

Report Authors: Paul Naylor, Deputy Chief Executive



Summary:

On 31 March the Audit Commission closed and its remaining functions transferred to a number of other bodies. Closure was originally signalled in an announcement by the former Coalition Government in 2010 when it announced its intention to introduce legislation to close the Commission with the eventual transfer of responsibility for local public audit procurement to councils and other audited bodies. This information report provides further background to the Council's responsibilities to procure local public audit services when the current audit contract with Grant Thornton UK expires. A further and more comprehensive report will be presented to the September meeting of the Audit Committee.

Key Decision: Not applicable

Affected Wards: None specifically

Recommendations: **The Committee is asked to note the report for information.**

Contacts: paul.naylor@ashford.gov.uk - Tel: (01233) 330436

Future of local public audit – update INFORMATION ITEM

1. On 31 March the Audit Commission closed and its remaining functions transferred to a number of other bodies. Closure was originally signalled in an announcement by the former Coalition Government in 2010 when it announced its intention to introduce legislation to close the Commission with the eventual transfer of responsibility for local public audit procurement to councils and other audited bodies.
2. The Commission has since outsourced its audit work totally. This led to the Commission appointing Grant Thornton UK as our external auditor for a five-year period as part of a contract covering the south east region. This and the other outsourced contracts secured significant cost reductions for councils, with costs fixed for five years (contracts expire at the end of the 2016/2017 financial audit, so in the autumn of 2017). However, an option to extend for a further two years on similar terms is available to government. If contracts are not extended the council would have to decide on its procurement and award a contract by December 2016. In practice this would mean commencing a procurement by Spring 2016 at the latest.
3. The scope of external audit work under these contracts is limited to cover councils' financial audits (including public inspection rights), grant certification, and providing a value for money opinion. This more limited scope partly accounts for the cost reduction.
4. A decision on whether to extend the contracts or not will be taken by the Secretary of State for Communities and Local Government possibly by the end of this calendar year, and it is hoped will be made following consultation with local government.
5. The Local Audit and Accountability Act 2014, formally enabled final closure of the Commission, and sets out the requirement for councils to create audit panels that would be responsible for recommending a procurement process, and recommending the appointment of an external auditor to their full council for decision.
6. As the Commission was responsible for appointing and monitoring auditors, and setting scale fees etc., government has transferred this responsibility until the end of the current contracts to Public Services Audit Appointments, a subsidiary company of the Local Government Association.
7. Audit panels must be chaired by and have a majority of non-elected independent persons. Audit panels would also be responsible for advising the full council on the 'maintenance of an independent relationship with the appointed auditor', and advising on 'any proposal to enter into an agreement limiting the liability of its auditor'.
8. Originally the government proposed that Audit Committees should possibly perform this role but then be mandated to be constituted with a majority of non-elected representatives. Following considerable opposition to this proposal from local government members and the Local Government Association the proposal was removed, but the requirement for audit panels remained.

9. The Act, supplemented by a subsequent set of regulations ((the Local Audit (Appointing Persons) Regulations 2015)) allows councils to procure audit services in a number of ways:
- a) Individually and hence an individual council would create its own audit panel, or
 - b) Jointly through a consortium approach for a contract to cover two or more councils, reflecting shared approaches to service delivery. In this case councils could create a single joint audit panel, or
 - c) Through a government approved Specified Person who would appoint an auditor on behalf of those authorities that choose this option. A decision to select this option would be one for full council and would not require a recommendation from an audit panel. The Specified Person would take on other responsibilities of an audit panel. It is possible the LGA's company might be approved for this purpose.
10. There is no decision for councils at this time as the timing of the procurement need has not been determined. However a full report on this matter will be presented to the Audit Committee at its September meeting.
11. As further background two papers are attached. The first is a government summary of the bodies to whom the Audit Commission's residual functions have been transferred. The second is a recent Public Finance article written by the final controller of the Audit Commission that sets out a summary from her perspective of the key issues for councils.

FOR INFORMATION

Paul Naylor
Deputy Chief Executive

June 2015

A brave new world for local audit?

Public Finance Article written by: Marcine Waterman (Final Controller of the Audit Commission)

16 Feb 15

As the Audit Commission finally shuts its doors, there are a host of outstanding questions about practicality, cost and the value of public audit, writes Marcine Waterman

With the closure of the Audit Commission, on March 31, the transition to new arrangements for local public audit starts in earnest. They have been almost five years in the planning. A good deal of work has gone into ensuring that the changes are as seamless as possible. For example, the National Audit Office laid the new Code of Audit Practice before Parliament, ahead of it taking effect on April 1.

The nature of the changes requires stakeholders to adjust to dealing with a wider range of organisations than at present. These include Public Sector Audit Appointments (PSAA) – the independent company established by the Local Government Association to manage our contracts with audit firms – the NAO, the Cabinet Office and the Department for Communities and Local Government. Life will be more complicated for audited bodies, which will have to liaise with government departments, regulators and auditors, about various issues previously dealt with or coordinated by the commission. It is not clear, for example, who will investigate complaints against auditors or their fees after we close.

To give an idea of the new complexity, the ‘future functions at a glance’ table on the commission’s website has almost 40 rows charting the correct point of contact for a range of different circumstances. The Audit Commission will not exist to see how the new arrangements work in practice, although former staff will be watching closely with interested stakeholders. The questions I am curious to see answered fall into three categories: practicality, the cost of audit and maintaining the value of audit.

Practicality

Will stakeholders receive enough clear information about the transitional arrangements leading to the new local appointment of auditors?

PSAA will manage audit contracts until 2017 or 2020. So auditor panels, local procurement of auditors and any sector-led procurement bodies will not be needed for some time after the commission closes. These future arrangements and their timetable remain uncertain. This means that stakeholders will need clear and timely information to help them prepare for procuring their own auditors, and for when the new regulatory framework is fully in place.

Who will collect information about local audit to paint the big picture?

Armchair auditors were meant to come to the fore in response to local government releasing more information onto the web. To date, they have not done so in a way that allows comparisons across the piece. This is not just an issue for independent commentators. Central government relies on information provided by auditors and collected by the commission – for example, to demonstrate that money passed to local bodies has been spent properly. It also helps people trying to hold their council to account for late publication of audited accounts, or for a qualified audit opinion, to know that almost every other authority was able to meet the deadline with a clean audit opinion. The Local Audit and Accountability Act 2014 does not provide for the national collation and reporting of the results of local audits. We believe this information is important to taxpayers and accounting officers and should be available.

PSAA will publish information on the results of auditors' work at local government bodies, including small bodies, until the end of current contracts with audit firms. After that, there has been no clear or specific commitment to produce reports setting out the big picture across local government, or across health, as our Auditing the accounts reports have done. I hope this will be addressed.

How successfully will multiple regulators work together, particularly after our audit contracts finish?

The new arrangements for the regulation of local audit break up the regulatory framework. The NAO, Financial Reporting Council, Recognised Supervisory Bodies, local auditor panels and audit firms will all have parts to play. This creates a number of uncertainties about how local appointment and oversight of auditors will work. Some roles and responsibilities need clarification – for example, about which body will receive and investigate complaints about auditors' conduct. There will be a need for memorandums of understanding between organisations taking over functions from the commission, to support their effective and co-ordinated operation.

How will the arrangements for small bodies work in practice, and will they ensure accountability?

The new arrangements are complex and present practical challenges. The partial exemption of the smallest authorities (those spending less than £25,000 a year) from audit and assurance requirements presents them with a number of practical problems. In particular they will face higher audit fees (particularly those bodies currently charged nothing) because they will have to incur the costs of 'retained auditors'.

For small bodies in general:

- Firms are likely to charge higher prices than currently to bodies in remote locations.
- If, as seems possible, a sector-led body for smaller authorities does not develop, they are likely to lose economies of scale and scope in procuring audits.

In 2013/14, auditors qualified the accounts of 597 small bodies that will become exempt from routine external audit. The risk is that removing independent external auditor scrutiny will reduce the pressure on these bodies to account properly for their financial performance.

The cost of audit

Will the current audit contracts be extended, avoiding procurement costs and locking in inflation-proof low prices for a further three years?

The government has announced it will decide in summer 2015 whether the commission's audit contracts will last until 2017 or be extended to 2020. There is very little room for slippage. I believe that the government should:

- Obtain the views of local bodies on the advantages of locking in inflation-proof contract prices in time for an effective decision.
- Ensure local bodies, auditors and other stakeholders have time to prepare for any impact on the timetable for local procurements.

Will a sector-led body emerge to be an 'appointing person' under the Local Audit and Accountability Act, able to minimise procurement costs and secure lower prices?

The Local Audit and Accountability Act 2014 allows the secretary of state to specify a sector-led body to be an 'appointing person'. There was strong support for this measure during parliamentary scrutiny of the Local Audit and Accountability Bill and among leading bodies in local government. However, this depends on different organisations acting in time. The timing will also need to fit with the government's decision about contract extension. If organisations do not act in a co-ordinated fashion, this puts at risk the possibility of collective procurement and appointment to access economies of scale.

How will the audit market develop after our audit contracts end?

Local appointment of audit will operate in a less managed market. There is a risk that, over time, there will be fewer providers of audit services to local public bodies, not more. This would increase the difficulty of making joint procurements in the absence of sector-led appointment bodies. Without mandatory central procurement of audit, costs will almost certainly rise. Without a central body, firms lose the ability to spread costs and risks over a larger body of work. This suggests that:

- Smaller audits or those in more remote areas will be less attractive to firms without higher prices.
- Local public bodies will have to bear the costs of complying with European Union procurement rules every five years.
- Larger organisations will come to dominate the market over time because they can achieve economies of scale and, with fewer providers, prices will rise.

Protecting the value of local public audit

Will the new arrangements deal effectively with the differences between private and public audit?

The government wishes arrangements for regulating local public audit to mirror those in place for company audits. Public audit has a wider scope, such as examining arrangements to secure value for money, and this has direct implications for auditor qualifications, audit regulation, quality monitoring and the application of ethical standards in local public audit.

In particular, the risk of conflicts of interest calls for effective oversight of how firms apply ethical standards to their non-audit work. Our experience suggests this needs close monitoring. The planned CIPFA guidance on setting up and operating auditor panels will aim to address these risks.

How will auditor panels work in practice?

Will there be confusion about roles and responsibilities between auditor panels and audit committees? As a minimum, each authority should review its constitution and standing guidance to minimise this risk.

Where authorities set up combined auditor panels to make joint procurement more efficient, they will have to consider how to handle issues that involve one body alone. For example, an authority commenting on findings that may lead an auditor to issue a public interest report, may be unwilling to have these discussed by others.

A number of bodies have expressed concerns about the availability of appropriately experienced members for auditor panels.

Will auditor panels support locally procured auditors to be sufficiently robust in addressing financial and governance risks?

Defending the role of external audit is more important than ever in the current environment, which poses risks to good financial management and governance. Local authorities are under financial pressure, leading to a greater chance that some may:

- Cut their finance function inappropriately or downgrade the position of their statutory officers, who have a duty to protect the quality of decision-making with regard to finance and legality.
- Reduce the number of fraud investigators. We reported evidence of this trend in our latest Protecting the public purse report.
- Cut the level of their scrutiny support function, which provides challenge to decision-making – as evidenced in the latest Centre for Public Scrutiny survey.
- Attempt to make transformational service change (such as massive outsourcing or integration) at high speed.

Councils can and will continue to adapt to financial circumstances. Where conventional strategies can no longer be relied on to deliver savings, they will need to develop new approaches to public service delivery that rely less on government funding. Undoubtedly they will face risks as they do so, and local public audit will need to be robust to maintain visible accountability. With the commission closure it will be for the government and others to:

- Find alternative ways to draw on auditors' insights into councils' financial resilience and remain vigilant for signs of financial stress.
- Ensure councils continue to fight fraud vigorously.
- Simplify the new arrangements.
- Keep audit fees as low as the commission has been able to keep them.

No matter where my career takes me next, I will be watching the new audit arrangements with great interest, having spent three years overseeing the current system (and 19 years at the commission before that). Ever the optimist, I've taken the inspiration for the title of this piece from Shakespeare's *The Tempest*. The brave new world of local audit may result in us celebrating, as Miranda does, 'beauteous mankind' – or at least the way public money continues to be robustly accounted for. The other vision of the brave new world, Aldous Huxley's, doesn't bear thinking about.

The future of the Audit Commission's functions

Future of Local Audit

In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

Local Audit and Accountability Act 2014

The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015, 30 years after it was established.

Several of the Commission's functions will continue after its closure.

Management of audit contracts. An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies^[1]. From 2017 or up to 2020, Recognised Supervisory Bodies will determine the eligibility of local public auditors and register them and, in turn, they will be recognised and supervised by the Financial Reporting Council. The Financial Reporting Council's Audit Quality Review team will monitor the local public audits carried out by auditors through new regulatory arrangements.

Grant certification. The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.

Code of Audit Practice. The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

Whistleblowing. The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

National Fraud Initiative. The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on the 1st of April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

Counter fraud. To preserve the legacy of the Audit Commission's counter-fraud work we will publish relevant counter-fraud tools and outputs online with open access before the Commission closes at the end of March 2015.

Provision of information about audit. The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of *Council Accounts: A Guide to Your Rights*, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

Analytical tools. Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool. The Financial Ratios Tool is also likely to continue, although arrangements are yet to be finalised.

National value for money studies. Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

Best value inspections. The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

Audit Commission historic reports and information. The National Archives preserves copies of the Audit Commission's website and these are available at http://webarchive.nationalarchives.gov.uk/*/http://audit-commission.gov.uk/pages/default.aspx. For copies of the Commission's past reports you may view these on the National Archives website.

Not all of the professional bodies will be Recognised Supervisory Bodies for the purposes of local public audit.

See the [Future functions at a glance page](#) for contact details after 1 April 2015

Agenda Item No: 11
Report To: **AUDIT COMMITTEE**



Date: **30 June 2015**

Report Title: External Audit 2015 Plan and Audit Update

Report Authors: Paul Naylor, Deputy Chief Executive (covering summary)
Emily Hill/Lisa Robertson (Grant Thornton's reports)

Summary: Attached are two reports from Grant Thornton UK LLP.

The first sets out the external audit plan for work associated with the 2014-2015 financial statements and this year's value for money assessment. Interim work completed has not highlighted any material issues to draw to management or members' attention.

The second contains the latest general update from Grant Thornton. As well as some details on the progress of audit work at Ashford, the report provides details of Grant Thornton's national reports covering a number of themes. All documents mentioned have been received by the council and the contents will feed into officers and members' work over the coming months. Not all issues mentioned in these reports are directly for the Audit Committee to consider, however. Due to the importance of the topics it is suggested that key points be the subject of pre-committee briefings, as well as more formal reports to members in due course. Copies of the guidance to understanding local authority accounts will be circulated separately to members of this committee.

Key Decision: Not applicable

Affected Wards: Not applicable

Recommendations: The Audit Committee is asked to note the reports of the external auditor.

Policy Overview: External audit is a statutory requirement and the work of the auditors, including the advice papers received forms an important part of the council's governance and ongoing development.

Financial Implications: None arise directly from this report

Risk Assessment Not applicable

Equalities Impact Assessment Not applicable

**Other Material
Implications:**

The matters referred to in Grant Thornton's national reports will help to inform officers future reports and members' decisions over the coming months

**Background
Papers:**

None

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The Audit Plan for Ashford Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

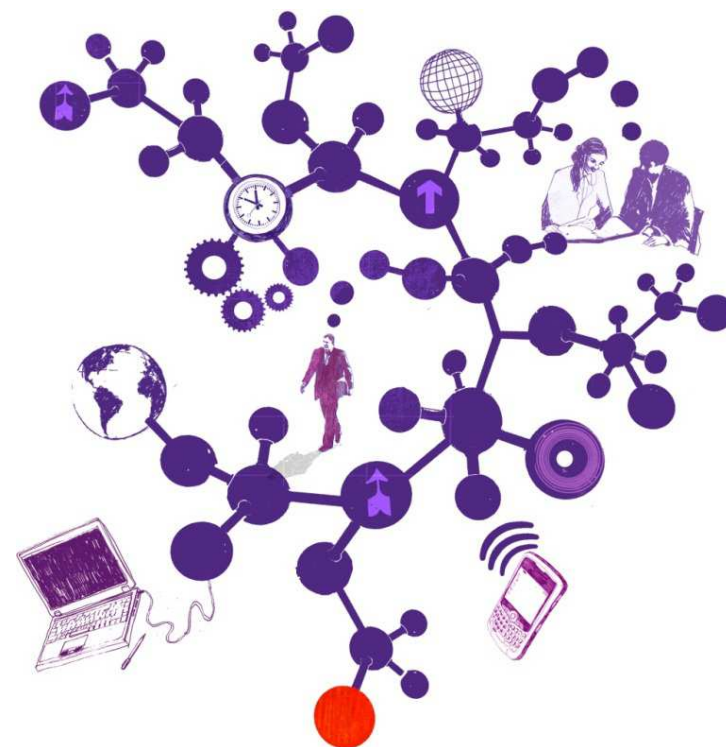
Year ended 31 March 2015

April 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

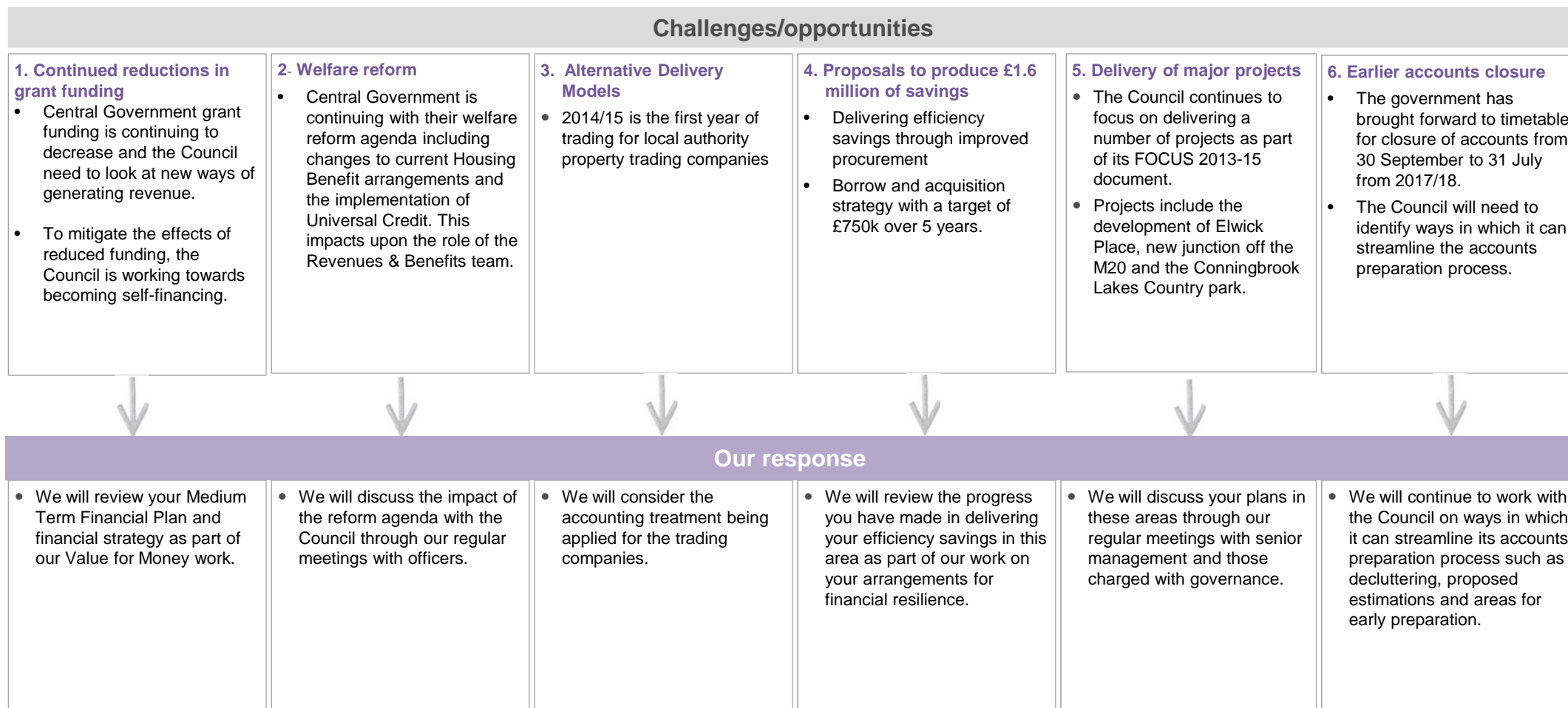
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice for Local Authority Accounting (the Code)
- Adoption of new group accounting standards (IFRS 10, 11 and 12)

2. Legislation

- Local Government Finance settlement
- Business Rates Review and New Homes Bonus Review

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the Code through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

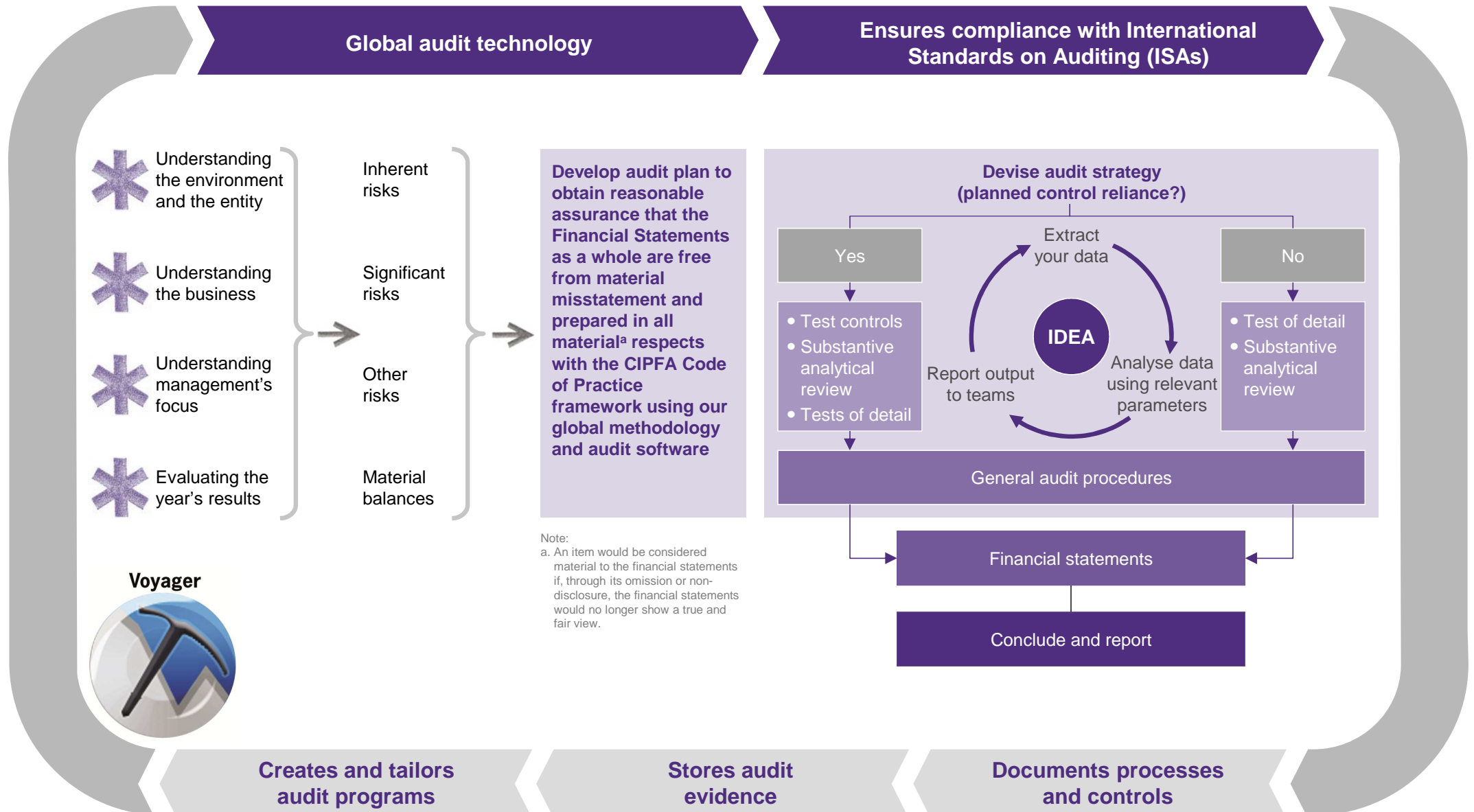
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This has taken on the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA(UK&I)315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA(UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Ashford Borough Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA(UK&I)240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed at interim:</p> <ul style="list-style-type: none">• Assessment of internal controls in place relating to the posting of journal entries• Testing of journal entries for months 1 - 9• Reviewed unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries for months 10 - 12• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA(UK&I)315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	Work already performed : <ul style="list-style-type: none">• We have Identified the system controls and walked through the operating expense system• We have performed early substantive testing on a sample of operating expenses from Month 1-9 Work planned: <ul style="list-style-type: none">• Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces• Cut off testing to assess whether transactions are recorded in the correct period• Substantive testing of operating expenditure payments for months 10-12• Substantive testing of year end payable balances• Procedures to gain assurance that material goods and services received prior to the year are correctly accrued
Employee remuneration	Employee remuneration accruals and expenses are understated (Remuneration expenses not correct)	Work already performed : <ul style="list-style-type: none">• We have Identified the system controls and walked through the payroll system• We have begun the substantive testing of payroll payments Work planned: <ul style="list-style-type: none">• Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces• Trend analysis and risk identification for monthly payroll costs• Complete substantive testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated• Testing to confirm the completeness of payroll transactions and appropriate cut-off

Other risks identified (Cont.)

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have met with the Revenues and Benefits operations manager to set up the arrangements for the performance of welfare benefits testing. • We have identified the system controls and walked through the housing rents system • We have performed the testing of the system parameters (Module 2) <p>Work planned:</p> <ul style="list-style-type: none"> • We will complete the remaining modules set by the DWP which include performance of an analytical review and Housing Benefit subsidy certification. This will involve the selection of samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with DWP guidelines and welfare legislation • Testing the reconciliation of the Housing Benefit system to the general ledger
Housing Rent Revenue Account	Revenue transactions not recorded	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have Identified the system controls and walked through the housing rents system <p>Work planned:</p> <ul style="list-style-type: none"> • Agreement of housing rents system to the general ledger • Agree general ledger to subsidiary rents ledger (if appropriate) • Rental income cut-off tests • Detailed analytical review and proof in total

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified. We will

- review the Council's arrangements for securing financial resilience for 2014/15 and for future periods, through review of the medium term financial plan including the assumptions made; and
- review the 2014/15 financial performance.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

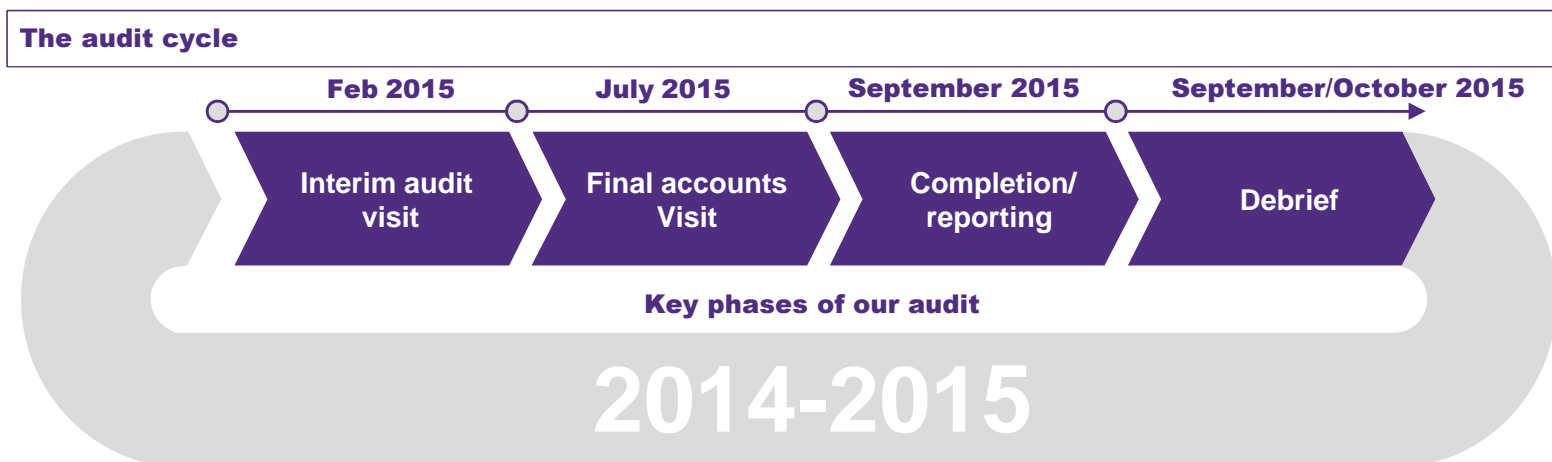
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	Our information systems specialist performed a high level review of the general IT control environment in 2013/14 with no issues arising. We have updated our understanding of the IT control environment, as part of the overall review of the internal controls system.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Early substantive testing	We have performed early substantive testing of operating expenses and payroll expenditure for months 1-9	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Value for money	We have completed the initial risk assessment to inform our Value for Money conclusion.	We will report any significant findings arising from this work to the Audit and Governance Committee in our Audit Findings Report.

Key dates



Date	Activity
02 February 2015 – 13 February 2015	Interim site visit
23 March 2015 – 02 April 2015	Interim site visit plus early testing
30 June 2015	Presentation of audit plan to Audit Committee
29 June 2015 – 17 July 2015	Year end fieldwork
27 August 2015	Audit findings clearance meeting with Deputy Director of Finance
29 September 2015	Report audit findings to those charged with governance
30 September 2015	Sign financial statements opinion

Fees and independence

Audit Fees

	Fees £
Council audit	£80,415
Grant certification	£14,200
Total fees (excluding VAT)	£94,615

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA(UK&I)260), as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code of Audit Practice.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Ashford Borough Council Audit Committee Update

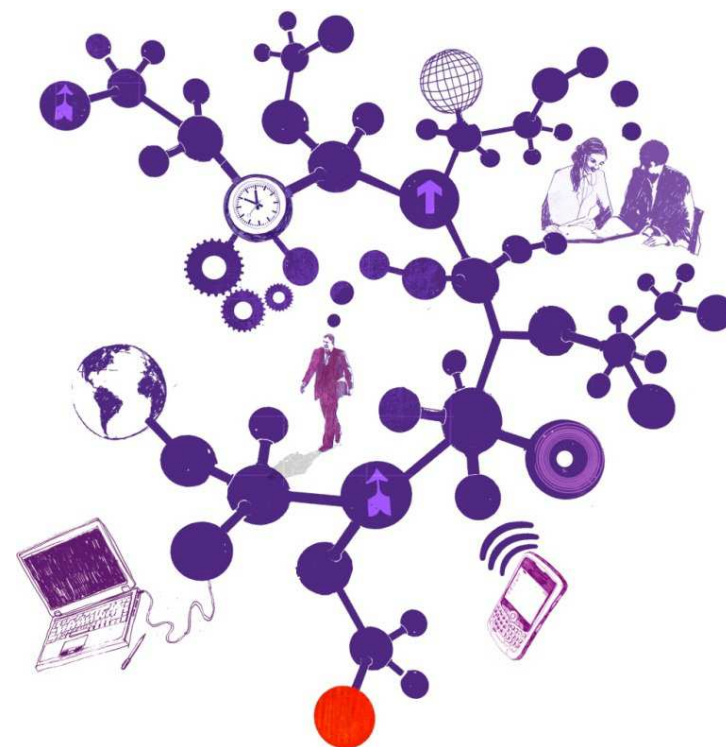
Year ended 31 March 2015

June 2015

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at June 2015

Work	Planned date	Complete?	Comments
2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.	March 2015	June 2015	The Audit Plan will be presented to the Audit Committee alongside this update paper.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	November 2014-March 2015	June 2015	The findings from our interim visit are included in the audit plan which will be presented to the Audit Committee alongside this update paper.
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts 	July 2015-August 2015	Not yet due	The findings will be provided in our Audit Findings Report, to be presented to the September Audit Committee.

Progress at June 2015

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion is based on the reporting criteria specified by the Audit Commission: The Council has proper arrangements in place for: <ul style="list-style-type: none"> • Securing financial resilience – focusing on financial governance arrangements, strategic financial planning and financial control • Challenging how it secures economy, efficiency and effectiveness in its use of resources 	November 2014-September 2015	Not yet due	The audit plan, presented to the Audit Committee alongside this update paper, includes details of our planned audit work on the vfm conclusion. The findings will be reported in our Audit Findings Report, to be presented to the Audit Committee in September 2015.
Grant Certification We are required to certify the Housing Benefit Claim in 2014/15	June 2015-November 2015	Not yet due	Initial testing will be completed to support the work on the financial statements by end September 2015. Additional testing arising from the results of the initial testing will be agreed with officers to ensure that this can be completed before 30 November 2015 submission deadline.
Other activity undertaken Since our last committee: <ul style="list-style-type: none"> • We have invited officers to our tax seminar • We have circulated our recent thought leadership documents on Welfare Reform and LA trading companies • We have fed in our views on the role of the audit committee for the new members training 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

Spreading their wings: Building a successful local authority trading company

Grant Thornton

Our report, 'spreading your wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Welfare Reform Review: Easing the burden

Grant Thornton

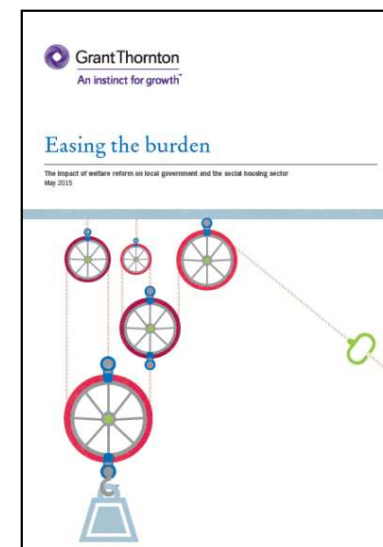
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

The key messages include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



The Queen's Speech 2015 – what it means for local government

Local government issues

The Queen's Speech was presented to Parliament on 27th May 2015 and set out the new government's policies and proposed legislative programme for the next parliamentary session. There are a range of proposals impacting on local government, including:

- A Cities and Local Government Devolution Bill aimed at boosting growth and increasing local government productivity and efficiency. It will provide the legislative framework to deliver the Greater Manchester deal and other future deals. The provisions of the bill will be applied to specified combined authorities and their areas, led by an elected mayor.
- A Housing bill extending right to buy legislation to housing associations and requiring local authorities to dispose of high-value vacant council houses. This bill will also introduce measures to simplify and speed up the neighbourhood planning system other changes to housing and planning legislation to support housing growth.
- An Education and Adoption bill that aims to speed up intervention in failing schools and requires inadequate, and coasting schools to become academies. It is also planned to introduce regional adoption agencies, working across local authority boundaries to reduce delays in the adoption system.

Challenge question

Have members:

- been briefed by on the new government's proposed legislative programme and its likely impact on the Council?

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

Challenge question

Have members been briefed on the key findings of the NAO's review of new burdens on local government?

English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

Challenge question

Have members been briefed on the headline messages from the LGA's white paper on devolution?

Understanding your accounts – Member guidance

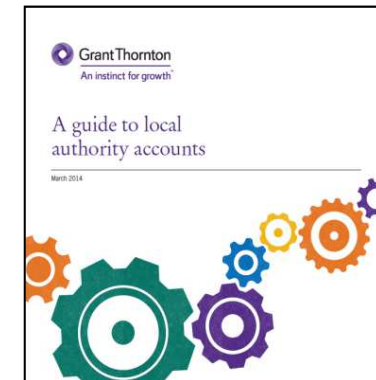
Accounting and audit issues

Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee.



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Agenda Item No: 12
Report To: **AUDIT COMMITTEE**



Date: **30 June 2015**

Report Title: External audit Programme of Work and fees 2015/2016

Report Authors: Paul Naylor, Deputy Chief Executive (covering summary)
Emily Hill, Grant Thornton UK LLP (attached letter)

Summary:

Each year the external auditor, currently Grant Thornton UK LLP, submits its agreed fee scale to the council. Grant Thornton's letter is attached to this report. The fees result from the former Audit Commission's procurement of external audit services for local government and the health sectors, which resulted in the current contract with Grant Thornton for the south east region. That first procurement covering 70% of the Commission's work at that time resulted in a 40% reduction in fee costs locked in for five years. Last year the remaining 30% of the Commission's work was awarded and results in a further 25 per cent reduction to scale audit fees and indicative certification fees for most audited bodies.

The Commission was asked to set the fees for 2015/16 before it closed on 31 March 2015. The contracts with audit firms run until 2017, with a possibility of extension for up to three years. The Department for Communities and Local Government will make a decision about whether to extend the contracts in due course. The Local Government Association will consult councils on the options. There will be a full report to the Audit Committee in September setting out these options and the implications for the council in the lead up to all councils having the ability to select their external auditor at a future point.

The responsibility for overseeing the current audit contracts, and for setting fees under them, passed to Public Sector Audit Appointments Limited (PSAA) from 1 April 2015. PSAA is an independent private company established by the Local Government Association to manage the audit contracts until they expire. PSAA will consult on and set fees for 2016/17.

The council's 2015-2016 revenue budget reflects the reduced fees

Key Decision: Not applicable

Affected Wards: None specifically

Recommendations: **The Committee is asked to note the fee scale for 2015-2016 and the external auditor's outline of planed audit work for this year.**

Policy Overview: External audit is a statutory requirement for the council and an essential component of the governance

framework.

**Financial
Implications:**

As the summary highlights a significant reduction in fee costs has resulted from the external procurement of audit services by the former Audit Commission. These reduced costs are reflected in our budget together with a small contingency to cover extra audit costs if needed

Risk Assessment

Not applicable

**Equalities Impact
Assessment**

Not applicable

**Other Material
Implications:**

None arise

**Background
Papers:**

None

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8 April 2015

Dear John

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for Ashford Borough Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £60,311, which compares to the audit fee of £80,415 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

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A list of members is available from our registered office.

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Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £8,112.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	15,077.75
December 2015	15,077.75
March 2016	15,077.75
June 2016	15,077.75
Grant Certification	
December 2016	8,112.00
Total	68,423.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Emily Hill	(0)20 7728 3259	Emily.hill@uk.gt.com
Engagement Manager	Lisa Robertson	020 7728 3341	lisa.e.robertson@uk.gt.com
In Charge Auditor	Neil Robertson	020 7383 5100	neil.a.robertson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner Paul.Dossett@uk.gt.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Emily Hill', with a stylized, cursive script.

Emily Hill
Engagement Lead

For Grant Thornton UK LLP

Audit Committee - Future Meetings

Date 30/06/2015			
Publish by 22/06/15			
Reports to Management Team by 18th June		Council 16/07/15	
1	Fraud Annual Report 2014/15	PN/HD	
2	Internal Audit Annual Report 2014/15	RC	
3	Annual Report of the Audit Committee 2014/15	RC	
4	Approval of Annual Governance Statement 2014/15	PN/MB	
5	2014/15 Financial Statements – Letters of Assurance to External Auditors	PN	
6	Outcome of Independent Audit Review of the Council's Affordable Housing Programme	PMc/LP	
7	External Audit Progress Report	Gr Th	
8	The External Audit Work Plan for Ashford Borough Council and Scale of Fees 2015/16	Gr Th (cover by ABC)	
9	Report Tracker for Future Meetings	DS	

Date 29/09/2015			
Publish by 21/09/14			
Reports to Management Team by 17th September		Council 15/10/15	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Statement of Accounts 2014/15 and the External Auditor's Audit Findings Report	Gr Th (cover by PN/BL)	
3	Report Back on Accounting for the ABC Companies (raised at 3/3/15 meeting)	BL	
4	Strategic Risk Management	RC	
5	Report Tracker & Future Meetings	DS	

Date 01/12/2015			
Publish by 23/11/15			
Reports to Management Team by 19th November		Council 10/12/15	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Annual Audit Letter 2014/15	Gr Th (cover by PN)	
3	Internal Audit Interim Report	RC	
4	External Audit Progress Report	Gr Th	
5	Annual Report on Reserves and Balances	BL	
6	Report Tracker & Future Meetings	DS	

Date 15/03/2016			
Publish by 07/03/16			
Reports to Management Team by 3rd March		Council 21/04/16	
1	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Strategic Risk Management	RC	
4	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
5	Internal Audit Operational Plan 2015/16	RC	
6	External Audit Progress Report	Gr Th	
7	Report Tracker for Future Meetings	DS	

22/6/2015